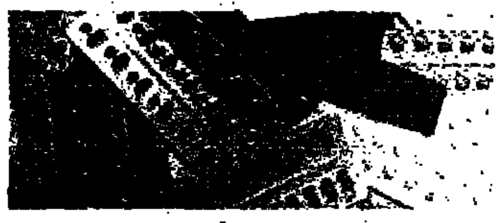

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FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY OCTOBER 27 1992 — D8523A

UK says chief of Matrix Churchill spied on Saddam

A top British government official admitted that the managing director of UK machine tools exporter Matrix Churchill worked for MI6, the intelligence service, to gather information on Iraq's nuclear programme. Export of equipment by the company to one of Iraq's main defence procurement agencies was allowed to continue a year before Saddam Hussein's invasion of Kuwait to preserve the intelligence link. Page 12

Hang Seng falls: Hong Kong's financial community reacted nervously to the war of words between Governor Chris Patten and China's rulers over the colony's political development. The stock exchange's Hang Seng Index closed 200.07 points, or 3.19 per cent, down at 6,062.47. Page 5

Landsbergis loses to former communists

Lithuanian nationalist leader Vytautas Landsbergis (left) suffered a serious electoral defeat in Sunday's general election. Unofficial results show big gains for former communists who have politically exploited the Baltic republic's severe economic difficulties. Page 3

Israel strikes back: Israeli guns and aircraft pounded Lebanon in retaliation for a Moslem fundamentalist ambush on Sunday that killed five soldiers. Page 8

Drop in value of UK exports: Seven out of the top 10 British exporters saw a fall in the overall value of their exports between 1990 and 1991, the FT's latest survey of top exporters shows. Page 4

Yeltsin rules out change: Russian president Boris Yeltsin, under pressure from conservatives, ruled out changes to the government's radical economic reform programme, but said some ministers could be removed.

Germans unhappy: Thirty-five per cent of Germans surveyed in the west and 52 per cent in the formerly Communist east are dissatisfied with their political system, a survey by the Mannheim opinion research institute shows. In terms of trust, the federal government lags behind trade unions and the news media.

Aid for Kurds: Overseas development minister Baroness Chalker announced the provision of a further £2.6m ($4.2m) for the Kurds of northern Iraq, bringing the UK's humanitarian aid for Iraqi civilians since 1991 to more than £55m.

Mining profits down: Gencor, South Africa's second-largest mining house, announced a 10 per cent fall in attributable profits to R1.28bn ($433m) for the year to the end of August, reflecting the weak state of international commodity markets. Page 27

IOSCO hits problem: Attempts to reach agreement on common capital requirements for securities firms and banks hit an obstacle at the International Organisation of Securities Commissions annual meeting in London, when US securities regulators held out for tougher standards. Page 28

Germany warns Slovakia: Germany backed Hungary's efforts to stop Slovakia from damming and diverting the river Danube to feed the controversial Gabcikovo hydroelectric barrage by warning of the economic price of "rash decisions". Page 5

Campbell Soup under pressure: Australian biscuit-maker Arnotts posted first-quarter profits up 33.9 per cent to A$17.53m (US$12.59m), putting more pressure on US food company Campbell Soup to increase its A$8.80-a-share hostile takeover bid. Page 26

Compensation for trust investors: Invesco MIM's agreement to pay £9.5m ($15.5m) compensation to investors in Drayton Consolidated Trust, whose value has plummeted in recent years, marks the first time a fund manager has compensated shareholders of an investment trust under its control. Page 30; Lex, Page 22

Sellafield cancer claim: British Nuclear Fuels was accused in London's High Court of causing or contributing to cancer that killed two children whose fathers had worked at the Sellafield reprocessing plant in northern England. The test case, on which up to 40 other claims depend, is expected to last between six months and a year.

■ STOCK MARKET INDICES

FT-SE 100:	2,661.6	(−8.1)
Yield	4.52	
FT-SE Eurotrack 100	1,658.16	(+3.78)
FT-A All-Share	1,256.98	(−0.2%)
Nikkei	17,811.33	(−106.32)
New York lunchtime		
Dow Jones Ind Ave	3,210.88	(+3.24)
S&P Composite	414.54	(+0.44)

■ US LUNCHTIME RATES

Federal Funds:	3%
3-mo Treas Bills: Yld	2.971%
Long Bond	95
Yield	7.672%

■ LONDON MONEY

3-mo interbank	7 7/8%	(8%)
Liffe long gilt future:	Dec 100 1/4	(Dec 100 3/8)

■ NORTH SEA OIL (Argus)

Brent 15-day (Dec)	$19.98	(20.15)

■ Gold

New York Comex	$341.1	(343.6)
London	$341.25	(343.25)

■ STERLING

New York lunchtime:		
$	1.586	
London:		
$	1.587	(1.613)
DM	2.4425	(2.47)
FFr	8.275	(8.3675)
SFr	2.17	(2.2)
Y	193.5	(196.75)
£ Index	78.3	(80.5)

■ DOLLAR

New York lunchtime:		
DM	1.5365	
FFr	5.2095	
SFr	1.368	
Y	121.835	
London:		
DM	1.5385	(1.5305)
FFr	5.215	(5.1675)
SFr	1.3675	(1.3645)
Y	122.8	(121.95)
$ Index	63.4	(63.2)

Tokyo close Y 121.62

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft182	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es180	UAE	Dh10.00

Chancellor seeks urgent 'solidarity pact' between unions and employers

Kohl warns on taxes as unification costs soar

Making his point: Chancellor Helmut Kohl tells the annual congress of his Christian Democratic Union in Düsseldorf that united Germany faces 'the hour of truth' because of the very high cost of unification

By Quentin Peel in Düsseldorf

CHANCELLOR Helmut Kohl yesterday spelt out for the first time the dramatic increase in the costs of German unification, and threatened early tax rises if government, opposition, employers and trade unions cannot agree rapidly on a "solidarity pact" to help finance them.

Opening the annual congress of his Christian Democratic Union in Düsseldorf, he confirmed that new government revenues will have to be found from 1995 onwards to finance debt servicing costs of at least DM40bn ($26bn) a year on accumulated east German debts of DM400bn.

Even more urgently, the cost of a radical reform of the German railway system, including the integration of services between the two halves of the country, cannot be financed from existing resources, he added.

That is likely to mean some form of tax increase, probably a petrol tax rise, in the course of 1993, according to senior officials.

It all added up, the grim-faced chancellor told his party faithful, to "the hour of truth" for a united Germany. The country could manage only if every sector of society took part.

Mr Kohl also warned that a slowdown in the economy next year will reduce tax revenues by DM10bn, without allowing for any increase in spending in the east. The Economics Ministry is forecasting growth in western Germany of only 1.0 to 1.5 per cent next year, against previous forecasts of 2.5 per cent.

However, advance indications were that the country's five main economic institutes, in their annual report to be released today, were projecting even slower west German growth next year, at only 0.5 per cent. One of the five, the Ifo institute in Munich, also produced separate figures yesterday showing a sharp fall in industrial confidence.

Mr Kohl said the central government and the 16 federal states also have to agree urgently on a new formula for sharing the burden of an extra DM50bn to DM60bn in spending in the east of the country, to come into effect by 1995.

Stopping short of talking openly of tax increases, he said that "improvements in revenues are urgently necessary to cope with the financial inheritance" of the former East Germany. In 1995 the government must take over a debt of at least DM400bn, he said: DM250bn from the Treuhand privatisation agency, and a further DM150bn in accumulated debts of the Communist regime, with a debt servicing cost of around DM40bn a year.

He made it clear that the increased state revenue in 1995 should be directly linked to servicing those debts, but did not suggest how the money should be raised.

Mr Kohl's decision to back an inevitable tax increase in 1995, even if directly linked to the burden of East German debt, has run into hefty criticism.

Mr Theo Waigel, finance minister and leader of the Bavaria-based Christian Social Union (CSU), the coalition partner in the German government, is furious that it will mean the immediate pressure for drastic budget savings – by the federal states as well as central government – will be relieved.

Mr Waigel is due to appear at the congress tomorrow amid

Continued on Page 22
Economic data, Page 2
SPD on asylum policy, Page 2

Stempel resigns as GM chairman

By Martin Dickson in New York

MR Robert Stempel resigned yesterday as chairman of crisis-stricken General Motors, bowing to pressure from fellow directors who accused him of not moving forcefully enough to shake up its loss-making North American car operations.

Mr Stempel, 59, who became chairman in August 1990, is the first chief executive of the world's largest manufacturing company to be ousted since Mr William Crapo Durant, founder of GM, was forced out in 1920.

He is expected to be succeeded as chairman, at least on an interim basis, by Mr John Smale, who led a boardroom coup last April by non-executive directors concerned at the slowness of GM's revamp. Mr Smale, 65, is a former chairman of Procter & Gamble, the consumer products group.

Mr Stempel made no reference to any direct boardroom pressures yesterday in his resignation statement. He said merely that he could "not in good conscience continue to watch the effect of rumours and speculation that have undermined and slowed the efforts of General Motors people to make this a stronger, more efficient effective organisation."

In April Mr Smale replaced Mr Stempel as head of the board's executive committee, while Mr Lloyd Reuss, group president and head of North America, was replaced by Mr Jack Smith, previously responsible for GM's international operations.

Mr Smale, acting on behalf of the GM board, said Mr Stempel had been asked to continue as chairman until a successor was named. Management changes would be announced as soon as was practicable.

GM shares, rising sharply since rumours of Mr Stempel's resignation began last week, rose $⅛ to $33⅝ in morning trading in New York.

Leaks to the US press last week made clear that GM's non-executive directors felt Mr Stempel was not putting across to the company's workforce the urgency of cost cutting and returning the North American operations to the black.

GM's revolution, Page 23

Gap narrows in EC-US trade dispute

By David Gardner in Luxembourg and Nancy Dunne in Washington

THE CHANCES of the European Community and the US resolving their bitter food exports disputes – the key to a deal on the Uruguay Round of world trade reforms – appeared to improve last night as the two sides narrowed their differences.

Senior EC officials feared that the US was about to press the button on its programme of punitive tariffs on $1bn (£625m) of EC food exports, held in abeyance during last-ditch efforts to settle the row over the Community's subsidised oilseeds regime.

The belief in Luxembourg was that Mr James Baker, the former US secretary of state now running President George Bush's re-election campaign, had taken a more central role over co-ordination of the US side of the tangled negotiations. However, as Mr Bush's chief of staff, Mr Baker is charged with co-ordinating all aspects of administration policy.

It is understood the US may target France in a reduced package of sanctions, imposing tariffs on $300m worth of French products. The US "hit list" originally had $2bn of products on it, and the Administration indicated it would cut this to $1bn. By targeting a still smaller amount, the US hopes to prevent a wider trade war. It is also likely to wait at least 30 days before imposing any sanctions.

There were still hopes yesterday that Mr Ray MacSharry, EC agriculture commissioner, would meet Mr Ed Madigan, US agriculture secretary, in New York tomorrow, to set both sides' political seal on progress in talks on Sunday and yesterday. Mr MacSharry, just before briefing EC agriculture ministers on the talks in Luxembourg yesterday, said the New York meeting was "still up in the air". A senior Commission official said, however, that an aircraft was on standby to take the EC's farm trade negotiator to the US.

The Luxembourg talks, in the margins of a scheduled council of agriculture ministers, centred on keeping the EC together behind the Commission's negotiation stance in the face of French attempts to prevent any Gatt settlement before the US presidential election on November 3.

France has never accepted that a Uruguay Round deal, aimed at liberalising world trade, should place formal restraints on its subsidised cereals exports, one of the main items in its balance of payments. Mr Jean Pierre-Soisson, the new French agriculture minister, sought to rally support among six of his colleagues at a dinner in Paris on Sunday night, before yesterday's council meeting in Luxembourg. Mr Ignaz Kiechle, the German farm minister, insisted after the Paris meeting that "France is not isolated" over cereals exports. His government in Bonn says a Uruguay Round conclusion is a top priority to get Europe's economies moving again.

Mr Laurits Toernaes, Danish

Continued on Page 22

Major angers Conservatives with Maastricht poll threat

By Philip Stephens, Alison Smith and James Blitz in London

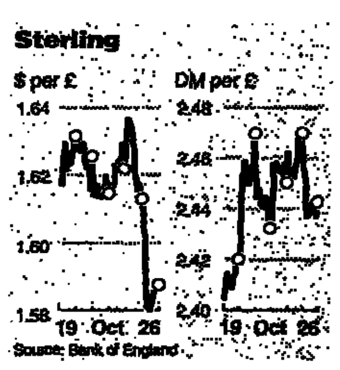
PRIME MINISTER John Major's threat to hold a general election over the Maastricht treaty pushed Britain's ruling Conservatives into fresh crisis yesterday and senior members of the parliamentary party warned him to step back from a confrontation on the issue.

The turmoil unnerved London's financial markets, with sterling suffering sharp losses against both the dollar and the D-Mark. Analysts predicted that the political uncertainty would bring further losses in coming days.

But the election threat was not withdrawn, in spite of visible dismay among Conservative members of Parliament and a decision by the Labour opposition to vote with Conservative rebels in an attempt to defeat Mr Major in a crucial Maastricht vote on November 4.

Mr Major's stance left him at odds with most Conservative MPs and with many ministers. The general view was that raising the stakes over next week's vote was dangerous brinkmanship. It was designed to bring anti-Europe Conservative rebels into line but had needlessly risked the prime minister's own future.

Sterling



Source: Bank of England

Unless Mr Major was willing to step back from a confrontation – perhaps by framing the motion for debate next week in terms which exclude any specific reference to Maastricht – he would be staking his premiership on a single vote.

Senior members of the influential 92 group of right-wing MPs last night said that a motion calling simply for the adjournment of the Commons – a frequently used technical device – could avoid an unnecessary split among the government's supporters.

Mr George Gardiner, the group's leader, suggested that some of Mr Major's cabinet colleagues may have been urging him to put his future on the line over the treaty in order to strengthen their own hopes for the eventual leadership.

A stream of Tory Euro-sceptics said they would ignore the prime minister's threat, arguing that they would be voting on the timing of the ratification of the Maastricht treaty rather than on whether they had confidence in the government.

Facing Tory charges of political opportunism, Labour argued that while it still supported the treaty, it did not believe that the legislation to ratify it should be brought back until Denmark had clarified its position.

But the prime minister's office emphasised repeatedly that ratification was an "absolutely crucial" plank in the government's foreign policy. Unless it demonstrated to its European partners before December's Edinburgh summit that it was making progress with ratification, Britain's case on the whole range of issues facing the Community would be decisively weakened.

On foreign exchange markets the pound lost nearly 3 pfennigs against the D-Mark, to close at DM2.4425. Sterling also lost more than 2½ cents against the dollar, closing at $1.5870, a 17-month low against the US currency.

On the stock market, the FT-SE 100 index of leading shares closed down 8.1 points at 2661.6.

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W German economy 'in critical state'

By Christopher Parkes in Frankfurt

THE west German economy is in a "critical state" and will generate only 0.5 per cent real growth next year, according to a joint report from the country's five leading economic institutes. A modest recovery in the east will bring aggregate growth to 1 per cent.

The annual autumn study, though at odds with the government's hastily-revised forecast of up to 1.5 per cent growth in the west, released at the weekend, reflects common agreement that international recession is at last taking its toll. It is only weeks since the government was speaking of 2.5 per cent growth next year.

Predicting average inflation in the west of 3.5 per cent after 4 per cent this year, the institutes urged that pay settlements be kept down to 3 per cent – around half the levels of the past two years. The over-hasty alignment of eastern wage rates with those in the west would be "socially and politically explosive", they warned.

Mr Helmut Schlesinger, the Bundesbank president, said that even though the economy was weakening, there was no reason for the central bank to relax its stance on maintaining stability.

Control of inflation and money supply remained the bank's priorities, he said in a speech in Hamburg. Preliminary figures released yesterday suggested that inflation in western Germany was virtually unchanged in October. Consumer prices have risen 0.3 per cent in Baden-Württemberg during the past month, taking the year-on-year inflation rate to 3.3 per cent.

In North-Rhine Westphalia, the most heavily-populated state, a similar rise took the annual rate to 3.6 per cent. In the five new states, however, inflation is still strong, and stood at 12.7 per cent in September, according to statistics released yesterday.

As Chancellor Helmut Kohl warned his Christian Democrat party congress of tax rises and public spending cuts, Mr Schlesinger said there was no need to increase taxes at present "but whether this applies in the longer-term will need examining".

The bank, hitherto stolidly against higher taxes, appears now to agree with Bonn that at least the threat of a rise could help dampen both union ambitions in the spring wages round, and private demand for credit which has been an important factor in this year's surge in money supply growth.

A summer slump in Germany's foreign trade, reported yesterday, further deepened the gloom spreading rapidly into every sector of the economy. At DM47.9bn, August exports were 4.7 per cent lower than a year earlier, and imports were down 11 per cent at DM47.6bn, according to the statistics office. Compared with July, exports fell 18 per cent and imports 27 per cent.

Industrial confidence is also down sharply, according to the Ifo institute in Munich, one of the five authors of the autumn study. The D-Mark's rapid appreciation during September has hit export prospects and incoming orders fell again during the month, Ifo said in a separate report.

Manufacturing plant is working at around 83 per cent of capacity compared with more than 87 per cent in September last year, and average outstanding orders amount to 2.6 months' work, against 2.8 months in June.

According to details available from the five institutes' report, officially released today, west German growth this year will be only 1 per cent, and the east will show a rise of around 5.5 per cent, half earlier estimates. Next year the east should see a gain of around 7 per cent and average inflation should slow from 11.5 per cent to 8 per cent.

Kohl plea for curb on asylum seekers

By Quentin Peel in Düsseldorf

CHANCELLOR Helmut Kohl yesterday issued his grimmest warning yet of the effect of an unrestricted influx of asylum-seekers into Germany, declaring that failure to curb it could lead to a "state of national emergency".

Unofficial estimates put the number in October at approaching 60,000, compared with 42,000 in September.

"We have already passed the limit of what we can bear," he told the annual conference of his Christian Democratic Union (CDU). "The influx.... is leading to unbearable conditions in our towns and cities."

In an urgent appeal to the opposition Social Democratic party (SPD) to agree on a common policy, he added: "If it is not dealt with, we are facing the danger of a profound crisis of confidence in our democratic state."

He was speaking after new signs of SPD disarray over how far to go in restricting the far-reaching right to asylum enshrined in the constitution. The governing coalition, led by Mr Kohl's CDU, is demanding a change to limit the right of asylum to those coming from countries with recognised political persecution.

The SPD has called an emergency congress next month to decide its position, with Mr Björn Engholm, its leader, calling for a change in the constitution. However, a growing number of SPD branches is rejecting a change.

Mr Kohl yesterday estimated the number of purported asylum seekers this year at well over 400,000. Barely 5 per cent "are genuinely persecuted".

For the SPD, Mr Karl-Heinz Blessing, national director, insisted yesterday that next month's congress would show a significant majority in favour of a change in the constitution. He said that the congress would take a free vote of individual members, who would not be bound by their local branches.

"Enough of liar governments" proclaim the handbills being distributed at a protest meeting of some 14,000 Italian shop-owners this week. The mass gathering in Rome's Palazzo dello Sport was prompted by government tax proposals.

Bérégovoy set to win censure vote

By William Dawkins in Paris

THE French Socialist government of Mr Pierre Bérégovoy last night looked set to survive a censure motion put down by the right-wing opposition in protest against what it says is an "unrealistic" 1993 budget, thanks to a Communist party decision to abstain.

The opposition RPR and UDF parties consider the forecast 2.6 per cent economic growth rate far too optimistic and fear that the budget deficit is running out of control.

Mr Martin Malvy, budget minister, yesterday admitted the current year's deficit would be around a record FFr180bn ($34.95bn) against the FFr89.6bn originally forecast. The FFr165bn deficit predicted in the 1993 budget is considered too low by many economists, given the gloomy European outlook. The Communists were given promises of lower household taxes for the poor.

Report seeks level playing field for EC single market

By Andrew Hill in Brussels

A REPORT into how to make the single European market fair, efficient and user-friendly once it comes into force on January 1, 1993, will be presented to the European Commission today.

It will be published tomorrow by Mr Peter Sutherland, former competition commissioner and chairman of the committee which drew it up, and will be considered by internal market ministers on November 10.

The success of the single market depends on the plethora of Community laws being strictly enforced. The way in which the EC resolves disputes about those rules is likely to be one of the first practical tests for subsidiarity – the principle that decisions should be taken at the lowest appropriate level – if a definition can be agreed at the Edinburgh summit in December.

Commissioners are today also expected to approve their own long-awaited paper on subsidiarity, which was intended for presentation to Community leaders at the Birmingham summit earlier this month.

The Sutherland committee has tried to tread the narrow path between the political and practical need to devolve responsibility to member states and the danger that this might result in an anarchy of different levels of enforcement.

For example, instead of suggesting a rigid centralised bureaucracy to monitor the single market, the Sutherland report proposes greater informal co-operation between national internal market officials to avoid cross-border disputes about implementation.

But Brussels officials suggested yesterday that this might not be enough to ensure firm and fair enforcement of EC law, and could result in unsatisfactory trade-offs between countries. "Those countries which have stronger standards of implementation will lose out," said one.

Members of the committee resolutely refused to reveal the details of the report ahead of tomorrow's Strasbourg launch, but they are understood to have examined how to respect subsidiarity, how to reassure consumers and business about the internal market programme, how to remove doubts about the enforcement of Community law, and how to enforce the rules "through partnership" between member states and EC institutions.

Both the Sutherland report and the Commission subsidiarity paper strongly suggest that EC citizens should be urged to seek redress for their complaints in national courts, rather than burdening the European Court with legal cases.

Tax panic grips Italian evaders

By Robert Graham in Rome

THE LID on Italy's worst kept secret has finally been lifted: the self-employed, professions and small business have been getting away with absurd tax returns for years.

The secret has been blown by the simple expedient of the finance ministry leaking data on tax returns of the 6.1m classified as self-employed in order to demonstrate the equity of a proposed new "minimum tax".

In the country of the fur coat, the cellular telephone, the third holiday, the Swiss bank account, and the highest savings ratio in the EC, 35 per cent of self-employed are supposedly living on the poverty line with annual incomes below L7.2m (£3,310). Only 3.6 per cent of wage-earners have incomes in this category.

On the basis of a spot check on 62,000 tax returns, the authorities discovered 56,000 were under-declaring. Worst offenders were retailers who declared on average three and half times less than their projected earnings.

A check of 22 delicatessens in the wealthy northern city of Varese showed average taxable income of L12.6m (£5,800); 11 leather shops in Florence had average taxable income of L20m (£9,210). Employers were also often declaring earnings half that of their employees.

The new tax measure assesses real earnings by category on a computerised formula and then imposes a minimum payment regardless of the return submitted. In most cases this entails a doubling of current declared earnings for the new tax base.

Not surprisingly it has provoked a storm of protest, the first organised manifestation of which was a meeting yesterday in Rome of the traders' association, Confcommercio.

Last week, senior members of the Christian Democrat party unsuccessfully tried to water down the proposal with a series of exceptions. "They wanted to make the exception the rule," said one official.

"The traders wanted to raise issues like 'Why should my income be the norm if traffic restrictions cut my clientele?' or 'What happens if for six months someone has not been able to serve properly because of a bad back?'... It was impossible."

The protest cuts across all political persuasions but grouped as a whole these 6m people represent a formidable block of votes. Their main champion is the populist Lombard League.

The unions have kept their distance, aware their that wage-paying members for years have paid their taxes at source.

Transport ministers seek progress on single market

By David Gardner in Luxembourg

EC TRANSPORT ministers yesterday made new but inconclusive efforts to agree two critical measures designed to make next year's barrier-free single market work: freer access to Europe's congested airports, and freedom for road hauliers to operate inside other member states.

They rejected Commission plans to "confiscate" under-used landing and take-off slots at airports for redistribution to new entrants to the air transport industry. Nor could they agree what constitutes a "new entrant", the dying breed of low-cost independent carriers that Brussels had hoped would invigorate the "open skies" policy agreed by ministers in June.

Ministers made moreprogress on agreeing a compatible EC system of tolls and road-user charges for lorries over 12 tonnes. Germany has made a common system the precondition for allowing "cabotage," the right of foreign lorries to ply their trade inside Germany. However, there remains concern that the Commission's plan to place no limit on charges would result, not in a common policy, but fragmentation of the single market. Brussels would also allow member states to refund their own hauliers above a yet to be agreed minimum charge.

Some of the poorer member states made clear they would not go along with the bigger, more central states imposing high charges in a policy which might allow discrimination.

Yeltsin rules out economic policy change

PRESIDENT Boris Yeltsin yesterday ruled out changes to the government's radical economic reform programme but said certain ministers could be removed, Itar-Tass news agency said, Reuter reports from Moscow.

Mr Yeltsin is under increasing pressure from conservatives to sack key members of acting Prime Minister Yegor Gaidar's government and adopt alternate economic policies. He told American bankers and financiers that "the strategy of Russian reforms is irreversible," Tass said.

Mr Gaidar on Sunday effectively ruled out a big reshuffle before December.

Danish opposition calls tune over Maastricht

Government has to grin and bear it, writes Hilary Barnes

"I FEEL like a little boy who has had a distasteful plate of food put in front of him and been told to eat it up," said Mr Uffe Ellemann-Jensen, Denmark's foreign minister last week.

The dish set before him is the 1,800-word position paper detailing the supplements to the Maastricht treaty which Denmark requires before it can put the treaty to a second referendum next year.

The paper is the work of three non-government parties, the Radical Liberals (who normally count themselves as part of the minority Conservative-Liberal coalition's parliamentary base), the Social Democratic party and the left-wing, anti-Maastricht Socialist People's party.

These three control a majority in the Folketing, and so the government is faced with a take-it-or-leave-it programme for negotiations with the other 11 EC states.

The two Socialist parties believe they have forged an alliance which will enable them to topple the present government before long. "It's only a matter of time," says Mr Holger Nielsen, leader of the Socialist People's party. The Radicals, however, do not place this interpretation on the EC compromise.

The final, official position paper which the government sends to the other governments within the next few days may be modified slightly, but not in any substantive way.

So, when Mr Ellemann-Jensen travels round the European capitals next month trying to win support and understanding for the Danish position, he will to all intents and purposes be acting as plenipotentiary for the opposition.

By the standards by which parliamentary politics normally work, the position in Denmark is unusual.

The three-party position paper was worked out in the office of Mr Poul Nyrup Rasmussen, the Social Democratic leader, with Mr Poul Schlüter, prime minister, and the foreign minister, as bystanders.

But this is not the first time that such a situation has arisen in Denmark. From 1982, when Mr Schlüter became prime minister, until 1988, the government consistently had a majority of the same three parties against it on a range of Nato-related issues.

However, because the Radicals supported the government on domestic issues, there was never any question that the government could be brought down by a vote of no confidence.

On the Maastricht issue, the government has accepted the opposition's position paper with good grace as the basis for "a national compromise" because it regards the position paper's demands as realistic from two points of view – as a basis for persuading the 11 to meet the Danish requirements, and as a basis for persuading the voters to support the Maastricht treaty in a referendum next year.

The key special arrangements which Denmark wants are well-known – no obligation to participate in common defence policy, nor to introduce a common currency or participate in the third stage of economic and monetary union, no transfer of sovereignty in matters of legal and police co-operation, and no obligation to introduce union citizenship.

To improve the way the EC works and make it more transparent, the three parties propose open meetings of, and open voting at, the European Council, a suggestion on which most other members are likely to choke.

They also urge speedy negotiations with applicant countries from the European Free Trade Association and stronger contacts, with a view to membership, with Poland, Hungary, and Czechoslovakia. They further propose that during the Danish chairmanship of the Council, for six months from January 1, the Copenhagen government should arrange a conference on perspectives in the development of European co-operation.

If the Danes can obtain from the 11 the main concessions which they require – which cannot be taken for granted – the evidence of recent opinion polls is that a substantial majority support the treaty next time.

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Hungary backed by Germany over dam

By Nicholas Denton in Budapest

GERMANY weighed in yesterday behind Hungary's increasingly frantic efforts to stop Slovakia from damming and diverting the river Danube to feed the controversial Gabcikovo hydroelectric barrage.

Mr Klaus Kinkel, the German foreign minister, issued a veiled warning of the economic price of "rash decisions" in the dam dispute after Slovakia began at the weekend to block the Danube with quarry rock and concrete blocks.

Mr Kinkel said, without explicitly singling out Slovakia, that the European Community's "goodwill" in providing economic support was in danger. "The row has sparked a new, utterly unnecessary crisis in eastern Europe," he said, repeating calls for a negotiated settlement. The strong German intervention drags the dam dispute squarely on to the European stage before tomorrow's summit meeting between the EC and leaders of the central European countries.

Slovakia, despite pressure for a temporary halt, yesterday took construction beyond the point of no return, diverting much of the river's flow into its own territory.

The Hungarian government reacted yesterday with talk of reprisals. Mr Janos Martonyi, state secretary at the Hungarian foreign ministry, ruled out military action but pointedly kept all other options open and cast doubt on the future of regional co-operation embodied in the Visegrad group of central European countries.

Mr Martonyi re-emphasised Hungary's position that the diversion of the main flow of the Danube, the international border, represented a territorial violation as well as an environmental catastrophe in the making. Hungary says that the dam will lower the water table, dry up marshes around the Danube and damage the water supply.

The Bratislava government argues that the Gabcikovo barrage complex is essential to the energy security and economic well-being of Slovakia, which is to become independent from the new year.

● The Czech and Slovak regional governments yesterday ratified a customs union agreement between the two republics, writes Ariane Genillard in Prague. The agreement was negotiated by by Mr Vaclav Klaus, the Czech prime minister, and Mr Vladimir Meciar, his Slovak counterpart.

It allows for the free flow of goods between the republics after they become independent on January 1 and should facilitate a renegotiation of the EC's Czechoslovakia association agreement. EC officials are tomorrow to meet in London the Czech, Slovak, Hungarian and Polish prime ministers to discuss extension of the EC trade agreements.

Ex-communists win Lithuanian poll

By Leyla Boulton in Moscow

Algirdas Brasauskas, leader of the former communist Democratic Labour Party, claiming victory

LITHUANIA'S nationalist leader, Mr Vytautas Landsbergis, has suffered a serious electoral defeat at the hands of former Communists who have politically exploited the small Baltic republic's severe economic difficulties during its first year of independence.

Unofficial results of Sunday's parliamentary elections suggest big gains for the Democratic Labour Party (DLP) of Mr Algirdas Brasauskas, a former Communist Party leader who has pressed for a less brutal break with Moscow and a gentler transition to a market economy.

Mr Brasauskas, a moderate nationalist who three years ago split from the Communist Party of the Soviet Union to promote Lithuanian independence, looks likely to form the next government and says that he will seek a broad coalition.

"We will talk to other parties and do not want to usurp power," he told Reuters news agency. "It is time to throw away ambitions and search for an agreement."

Although a second round of voting in two weeks time could still alter the expected outcome of the elections, a separate referendum produced overwhelming support for a new constitution which foresees presidential elections early next year.

Mr Landsbergis, who has effectively ruled Lithuania as chairman of parliament and may keep his post until presidential elections, appeared yesterday to concede defeat for his radical Sajudis independence movement.

He said that the former communist DLP had conducted an effective electoral campaign. However, he also accused Russia, which recently halted a troop withdrawal from Lithuania and suspended oil deliveries, of interfering in the election.

Although he did not substantiate the charges, Mr Saulius Cheltenis, a Lithuanian magazine editor, said that for "people to be cold in their flats and wonder how they are going to cook their next meal" was enough "for an oil blockade to affect elections".

However, the Russian suspension of deliveries was not the only factor to prompt support for Mr Brasauskas, a moderate who has proved his loyalty to an independent Lithuania.

Although recent elections in neighbouring Estonia produced a defeat for former Communists, Mr Cheltenis pointed out that there had been a backlash against the radical reforms in much of eastern Europe, including in Poland, which, like Lithuania, is a largely rural Catholic country with obsolete heavy industry inherited from its Soviet masters.

Serbs shake UN hold on sector

By Laura Silber, recently in Dragalic, Croatia

Military commanders of Bosnia's three warring sides met face-to-face across a negotiating table yesterday while their troops fought on throughout the former Yugoslav republic, Reuter reports from Sarajevo.

***Leaders of Serb, Moslem and Croat forces met at Sarajevo's* shell-battered airport for a closed door meeting chaired by the United Nations peace-keeping force commander. It was the second encounter between the three sides organised by the UN.**

The leaders were expected to discuss practical ways of ensuring water and electricity to the Bosnian capital, which has been surrounded by Serb fighters since April. UN officials have called the talks a breakthrough. But there was no visible effect on fighting in Sarajevo or other towns.

Heavy shelling rocked the capital's western suburb of Stup around midday and mortars rained into a district near the UN *headquarters, wounding* five.

THE United Nations protectorate in Sector West, central Croatia, is considered a model among the UN's four peacekeeping zones in Croatia because of the high degree of co-operation between the UN and the local authorities.

But attempts by Serb rebels at the weekend to destabilise the sector and prevent refugees from returning have highlighted the UN's fragile hold over even this small part of the former Yugoslavia.

UN attempts to reopen the motorway between Zagreb and Belgrade, the Croatian and Serb capitals, were undermined on Sunday when 20 armed Serbs used combine harvesters to throw up a road block on the route, 70km south of Zagreb.

Local Serb officials said the motorway would be reopened only if Serbs had the right to control the road, a move which would undermine the UN's authority.

The road, named in the Tito era as the highway of brotherhood and unity, was closed in August 1991 when Serbs in the area, backed by Belgrade, rebelled against Croatian independence. Telephone links were also severed between the two republics.

When UN peacekeepers were deployed in Sector West last May they moved quickly to demilitarise Serb and Croat-held territories by July to allow the return of refugees – many of them Croat – to this part of central Croatia.

Plans to reopen the motorway were agreed at the Geneva peace talks in September.

But General Carlos Zabala, the UN sector commander, said that, in addition to the roadblock, Serb paramilitaries were trying to reverse the demilitarisation process by wearing military uniforms.

If the UN's hold over Sector West is further undermined – to the extent that it breaks down – President Franjo Tudjman of Croatia could withdraw his half-hearted support of UN operations in Croatia, western diplomats fear.

The Croatian government had originally opposed deployment of UN forces in the republic on grounds that they would consolidate Serb gains.

Backing for the local Serb action is coming from President Slobodan Milosevic of Serbia, who is determined to prevent the refugees returning and is playing on fears in the Serb community in Sector West that the Croat authorities plan to assert control over the territory through force.

Madrid displays a fresh commitment to western security

Bosnian test for Spanish troops

By Tom Burns in Madrid

THE first soldiers in a 700-strong Spanish military contingent were last night due to join the UN protection force (Unprofor) in Bosnia, ushering in a new era in the Madrid government's commitment to western security.

"We are seeing a changing mood on the part Spain," says an EC diplomat.

"It is ready to make gestures now that it drew back from in the past."

The troops are drawn from the Spanish Foreign Legion and the Parachute Brigade. These are two of the few professional units in an overwhelmingly conscript army. They will be deployed to protect humanitarian aid convoys on the road between Mostar, in south-west Bosnia, and Sarajevo.

This "obligation" marks a milestone. In the recent past Spain has stepped up its commitment to UN peacekeeping missions in areas such as Angola and Namibia and latterly El Salvador, where some 100 Spanish military personnel are currently stationed.

However, the Bosnia involvement, for an initial six-month period, is of a different order.

It is novel because of the size of the contingent, because Spain will be paying for its estimated Pta3bn (£1.8m) in expenses and because, unlike in other war zones, the troops are "braced for casualties" as the defence ministry puts it.

On a different, but crucially important, level for a society such as Spain, the Unprofor commitment also illustrates changing perceptions about a military that was once viewed as solely interested in domestic politics.

"The public now sees the officers as obsessed with professionalism instead of with plotting for want of nothing else to do," says a senior administration official.

"The army is using the UN channel to show off its professionalism and everyone should be pleased about the new image."

Some western diplomats believe that Spain, which joined Nato in 1982 but remains outside its military command chain, is testing the ground in Bosnia for what could be a readiness in Madrid to contribute forces to a future European rapid intervention brigade.

"Our navy works closely with Nato," said a Spanish defence ministry spokesman, "and our ground troops could increasingly do so too as long as they are under a Spanish command."

Some Spaniards are, however, uneasy about a gesture which is likely to put the troops, with their extremely limited international experience, under fire.

They claim that the move has more to do with power politics in Madrid and the UN headquarters in New York than defence burden sharing.

Today the UN is due to choose between Spain, Sweden and New Zealand in a vote to elect two new members for a two-year term on the Security Council.

But any link between a UN seat and the Bosnia task force is rejected by Mr Javier Solana, the foreign minister, who stresses that Spain is overdue for a Security Council seat having last held one 11 years ago.

According to Mr Solana, the troops are being sent "because we have an obligation to European security".

British Aerospace remains leading exporter

New entrants boost UK exports

By David Dodwell, World Trade Editor

SEVEN OUT of the top 10 British exporters saw a fall in the overall value of their exports between 1990 and 1991, the FT's latest survey of top exporters shows.

It was left to new entrants – such as Nissan and Vauxhall, which significantly boosted their exports from the UK in 1991 – and a tiny miscellany of outstanding performers to keep exports growing – albeit by less than 1 per cent to £45.2bn.

British Aerospace remained the UK's leading exporter, but saw exports fall by 5.5 per cent to £4.6bn.

ICI also held its place at number two – also recording a 2.56 per cent fall in overseas sales.

The only improvements inside the Top 10 came from Ford, whose exports edged up by 1.9 per cent to £2.78bn, and Guinness, which edged up one place to 10th position as the result of a 4 per cent export improvement to £849m.

Shell "rose" from seventh to fifth place on the back of a revision of its 1990 performance: its exports actually fell by more than 5 per cent to £2.4bn.

A total of 37 companies in the Top 100 are foreign owned, with 21 of these belonging to US parents. Of the UK companies in the Top 100, exports fell by 1.5 per cent, from £30.9bn in 1990 to £30.4bn last year. By contrast, the foreign-owned companies saw exports rise by 6.4 per cent to £14.9bn.

Of passing comfort to leading British exporters was the fact that export performance held up in spite of falls in turnover and employment in the UK.

Overall turnover for the Top 100 fell by 3.1 per cent to £140bn, while they trimmed 6.6 per cent of their workforce – involving the loss of 110,000 jobs. At the same time, their turnover outside the UK rose by 3.2 per cent to £167bn.

Among the handful of buoyant performances, the Weir Group leapt from 99th to 81st place on the back of a 26 per cent improvement in exports and a 34 per cent surge in turnover.

Boots and Marks and Spencer also boosted overseas sales by around a quarter to leap up the rankings – putting Boots in the top 100 for the first time, and lifting Marks and Spencer to 54th position. Both boosted exports on virtually stagnant turnover – Boots up 2.9 per cent and Marks and Spencer up 0.4 per cent.

Westland also reported a 26 per cent improvement in an otherwise drab aero-engineering sector which saw overall exports fall by 5.5 per cent.

This fall was due in part to lower exports from British Aerospace, but in addition resulted from a 9 per cent decline in exports by Rolls-Royce. The aero-engine maker slipped from 6th to 7th position as foreign sales fell to £2.06bn.

Three oil companies – all US owned – performed well, with Esso boosting exports by almost 42 per cent to climb to 11th position in the Top 100. Texaco boosted exports by 25 per cent, with Mobil up 21 per cent.

In spite of improved export performances, all three reported falls in turnover: Esso and Mobil of 3 per cent apiece, and Texaco of 13 per cent.

Other good performers were British Nuclear Fuels, up 50 per cent, with BAT Industries up 30 per cent, Thorn EMI up 23 per cent, and Hanson Trust up 27 per cent.

Dobson Park Industries crept in as the 100th largest exporter after a 35 per cent improvement in exports to £72m. While Dobson Park's UK turnover fell by 13.5 per cent to £152m, offshore output rose by 19 per cent to £154m.

The most extraordinary headway was made by Nissan, whose exports leapt by 108 per cent, from £328m in 1990 to £682m last year, and Vauxhall, whose 247 per cent jump took its exports to £620m.

Also impressive was Sheerness Steel, which crept into the Top 100 for the first time – to 97th place – because of a 146 per cent improvement in foreign sales to £84m.

Export growth came at Sheerness despite a 26 per cent fall in UK turnover – a factor vividly shown by the fact that in 1990, exports accounted for just 26 per cent of turnover, compared with 86 per cent last year.

In terms of its export dependency in 1991, Sheerness was third only to Nissan – which exported 87.5 per cent of its turnover – and Caterpillar, which exported 89 per cent. Associated Octel, at 85 per cent came close behind.

Other companies with an extremely high level of export dependency included IBM (66 per cent of UK turnover); Wellcome (72 per cent); Rothmans (60 per cent); Allied Colloids (78 per cent) and Amersham International (76 per cent).

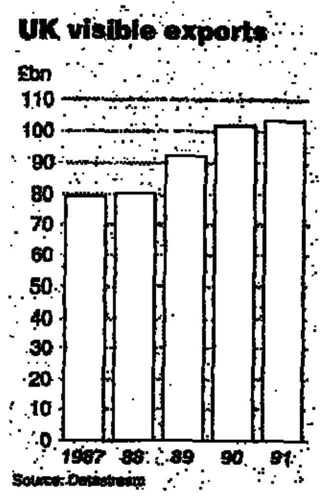
Takeovers took Hawker Siddeley, Dowty and Davy out of the Top 100, while Philips, Rank Xerox and ASW failed to provide necessary data.

*Statistics provided by Ewan MacDonald. Inquiries to (071, 873-4686.

BREAKDOWN BY INDUSTRIAL SECTOR

Industrial Sector	No of Cos	Exports 1991 £m	Exports 1990 £m	% change
Aerospace	5	7,296.7	7,719.2	-5.5
Oils	8	7,078.3	6,975.4	1.5
Motors	13	6,163.2	5,416.5	13.8
Chemicals	13	5,771.3	5,848.9	-1.3
Electronics	4	4,045.7	4,105.7	-1.5
Metals & Mines	8	3,333.0	3,458.1	-3.6
Food & Drink	8	2,725.9	2,587.6	5.3
Health & Household	9	2,258.0	2,176.1	3.8
Conglomerates	3	1,362.8	1,298.1	5.0
General Engineering	9	1,099.8	1,245.7	-11.7
Construction Equipment	3	870.8	1,029.2	-15.4
Industrial Materials	4	774.7	858.1	-9.7
Media/Paper & Packaging	4	559.1	539.8	3.6
Electricals	2	353.0	342.7	3.0
Textiles	2	224.8	206.4	8.9
Miscellaneous	5	1,304.0	1,056.6	23.4
Total	100	45,221.1	44,864.1	0.8

UK visible exports



Source: Datastream

FINANCIAL TIMES TOP 100 UK EXPORTERS

Rank 1991	Rank 1990	Name of Company	Exports (£m) 1991	% of UK t/o 1991	Exports 1990	% of UK t/o 1990	Export Growth	% of o/s t/o	Net exp. (£m) 1991	Imp/Exp % 1991
1	1	British Aerospace	4621.0	54.9	4891.0	57.1	-5.5	68.3	*	*
2	2	ICI	3079.0	54.5	3160.0	51.6	-2.6	31.1	*	*
3	4	Ford Motor	2782.0	45.4	2729.0	38.0	1.9	98.0	*	*
4	3	BP	2649.0	20.4	2731.0	22.4	-3.0	10.4	1953.0	26.3
5	7	Shell UK	2397.0	35.8	2525.0	39.8	-5.1	100.0	*	*
6	5	IBM UK	2278.0	57.3	2348.0	54.3	-3.0	100.0	*	*
7	6	Rolls-Royce	2062.0	66.1	2272.0	68.5	-9.2	83.9	1723.0	16.4
8	8	British Steel	1483.0	36.7	1474.0	32.8	0.6	72.7	633.0	57.3
9	9	GEC	1250.0	35.9	1306.0	35.1	-4.3	21.5	*	*
10	11	Guinness	849.0	43.4	817.0	41.9	3.9	24.2	756.0	11
11	16	Esso UK	809.0	28.7	571.4	19.7	41.6	100.0	*	*
12	12	Trafalgar House	796.0	37.4	726.7	41.0	9.5	74.1	*	*
13	10	Johnson Matthey	765.8	64.2	844.4	67.5	-9.3	58.8	*	*
14	(-)	Nissan	681.7	87.5	327.6	71.0	108.1	100.0	438.7	35.6
15	13	Glaxo	641.0	62.5	653.0	66.0	-1.8	27.0	*	*
16	(-)	Vauxhall Motors	620.4	24.1	178.7	6.8	247.2	100.0	*	*
17	17	Unilever	586.0	16.3	568.0	14.3	3.2	3.0	-145.0	124.7
18	18	Conoco	517.7	42.9	548.8	40.9	-5.7	100.0	-70	113.5
19	19	Kodak	505.9	53.5	497.8	53.3	1.6	100.0	224.3	55.7
20	21	Courtaulds	477.0	53.6	481.0	53.7	-0.8	45.3	463.0	2.9
21	20	Varity Holdings	444.5	65.0	533.7	69.1	-16.7	51.7	325.5	26.8
22	23	Inco Europe	403.6	59.5	443.6	63.4	-9.0	100.0	*	*
23	14	Lucas	383.0	37.2	381.0	37.7	0.5	28.7	243.0	36.6
24	31	Texaco	374.0	16.6	299.0	11.6	25.1	52.8	-184.0	149.2
25	22	Peugeot Talbot Motors	365.1	25.3	456.7	28.6	-20.1	100.0	*	*
26	38	BTR	360.0	15.0	310.0	13.3	16.1	7.6	*	*
27	25	Allied Lyons	358.0	10.4	352.0	10.8	1.7	15.6	*	*
28	28	Smithkline Beecham	347.0	40.8	316.0	39.1	9.8	8.3	*	*
29	27	Wellcome	340.1	72.4	334.1	71.5	1.8	19.4	298.1	12.3
30	24	Tenneco	322.8	*	379.4	*	-14.9	*	322.8	*
31	33	Racal	315.9	38.0	280.8	21.2	12.5	29.1	*	*
32	30	Rothmans International	308.0	60.4	303.0	58.2	1.7	14.0	282.0	8.4
33	32	Ciba-Geigy	303.0	43.8	288.0	43.6	5.2	100.0	*	*
34	29	Exxon Chemical	297.1	52.7	296.8	50.8	0.1	99.5	121.3	59.2
35	37	Grand Metropolitan	289.0	9.8	259.2	7.0	11.5	4.7	*	*
36	50	BAT Industries	274.0	45.8	210.0	46.5	30.5	3.3	*	*
37	59	British Nuclear Fuels	268.0	24.8	179.0	17.2	49.7	100.0	*	*
38	39	T & N	259.0	44.7	257.0	42	0.8	23.8	203.0	21.6
39	44	Rhone-Poulenc	256.2	34.2	238.1	33.8	7.6	100.0	*	*
40	52	Thorn EMI	248.0	12.9	201.0	11.4	23.4	11.4	*	*
41	55	Hanson	244.0	6.3	192.0	4.6	27.1	6.0	*	*
42	46	Leyland Daf	244.0	35.5	225.0	32.7	8.4	100.0	93.0	61.9
43	47	Seagram Distillers	243.2	49.5	224.5	47.3	8.3	58.3	165.2	32.1
44	35	J C Bamford	237.1	75.9	277.3	73.9	-14.5	100.0	203.4	14.2
45	43	British Alcan	229.0	34.4	238.8	31.6	-4.1	77.6	*	*
46	48	Shorts	224.7	57.3	215.2	60.6	4.4	100.0	*	*
47	51	Associated Octel	223.9	84.7	205.0	84.2	9.2	90.9	213.3	4.7
48	34	English China Clays	217.5	36.4	279.2	35.8	-22.1	58.2	212.6	2.3
49	49	BICC	217.0	9.1	215.0	9.0	0.9	13.4	*	*
50	57	Nestle UK	215.0	13.2	184.7	11.9	16.4	100.0	*	*
51	65	Westland Group	212.8	44.2	169.0	39.8	25.9	94.0	*	*
52	45	Cummins UK	211.8	57.6	229.8	58.4	-7.8	94.6	117.4	44.6
53	41	United Engineering Steels	208.7	60.0	241.2	48.9	-14.3	100.0	178.7	13.5
54	68	Marks & Spencer	206.0	3.9	163.6	3.1	25.9	28.8	*	*
55	63	Hewlett Packard	201.8	30.4	170.9	26.3	18.1	100.0	*	*
56	40	Caterpillar	189.2	88.9	218.2	80.9	-13.3	100.0	110.0	41.9
57	42	Vickers	185.3	47.0	240.4	52.8	-22.9	49.9	*	*
58	58	Fisons	185.2	43.6	184.3	44.6	0.5	14.3	*	*
59	61	Pearson	184.2	34.5	172.6	31.3	6.7	17.3	*	*
60	53	Michelin	177.6	31.3	200.9	27.6	-11.6	89.6	36.5	79.4
61	54	IMI	177.0	32.8	200.0	32.2	-11.5	31.2	*	*
62	62	Smiths Industries	176.2	50.3	172.0	48.6	2.4	37.0	138.4	21.5
63	73	Mobil Oil	175.0	11.6	145.0	9.3	20.7	85.0	-113.0	164.6
64	56	Du Pont	170.6	49.8	190.3	52.3	-10.4	82.7	-135.0	179.1
65	69	Gulf Oil	156.6	24.3	155.2	21.5	0.9	100.0	*	*
66	74	Goodyear	153.7	40.3	143.5	37.8	7.1	99.2	92.1	40.1
67	72	De La Rue	148.6	77.8	145.4	72.1	2.2	39.8	109.7	26.2
68	64	Monsanto	147.0	54.1	170.8	58.0	-13.9	100.0	*	*
69	76	Allied Colloids	143.2	77.8	140	76.5	2.3	67.1	*	*
70	77	Reed International	140.0	16.2	140.0	15.2	0.0	15.5	*	*
71	85	Polaroid (UK)	137.8	79.7	112.5	76.6	22.5	100.0	*	*
72	81	Delta	136.0	17.6	127.7	16.1	6.5	*	*	*
73	78	Ingersoll-Rand	132.6	64.7	132.8	61.2	-0.2	100.0	88.7	33.1
74	83	Coats Viyella	131.3	13.5	117.8	12.8	11.5	11.9	*	*
75	86	Lilly Industries	125.2	58.7	108.5	59.5	15.4	100.0	50.2	59.9
76	60	Simon Engineering	119.7	46.2	177.0	53.6	-32.4	31.9	*	*
77	70	BASF	119.0	16.5	135.0	17.0	-11.9	100.0	*	*
78	80	Schering	113.8	48.1	128.1	51.1	-11.2	100.0	45.6	59.9
79	92	Roche Products	113.6	52.9	96.8	50.8	17.4	52.9	51.4	54.8
80	82	Pilkington	109.8	22.0	124.7	20.8	-11.9	5.0	*	*
81	99	Weir Group	108.0	31.1	85.5	33.2	26.3	58.4	*	*
82	79	Siebe	105.7	67.0	130.4	86.2	-18.9	7.2	64.4	39.1
83	(-)	Boots	102.2	3.2	80.7	2.6	26.6	19.0	-37.2	136.4
84	94	BBA	101.8	29.5	93.3	25.7	9.1	10.1	*	*
85	93	Cyanamid (UK)	100.8	51.7	93.5	50.6	7.8	100.0	34.3	66.0
86	84	Amersham International	100.7	76.3	114.7	81.8	-12.2	28.4	91.2	9.4
87	97	Vosper Thornycroft	100.3	64.4	87.8	62.5	14.2	98.9	80.7	19.5
88	87	APV	98.7	26.9	138.2	30.1	-28.6	12.9	81.2	17.7
89	90	Cadbury Schweppes	96.8	6.0	95.7	6.1	1.1	5.6	-186.3	292.5
90	96	Dawson International	93.5	46.0	88.6	44.7	5.5	29.8	*	*
91	88	Pirelli	92.1	17.9	99.0	21.1	-7.0	91.8	-2.9	103.1
92	91	GKN	91.0	12.3	95.0	11.5	-4.2	7.1	*	*
93	98	United Biscuits	88.9	5.5	86.5	5.4	2.7	6.2	-35.1	139.5
94	75	Cookson	87.4	29.2	144.2	28.5	-39.4	7.7	*	*
95	100	RTZ	87.0	8.7	83.0	7.7	4.8	2.2	1.0	98.9
96	(-)	Portals	86.3	48.0	81.8	46.8	5.5	85.5	*	*
97	(-)	Sheerness Steel	83.9	86.0	34.1	26.0	146.0	100.0	79.4	5.3
98	(-)	Burmah Castrol	78.9	12.3	*	*	*	4.3	*	*
99	88	Glynwed	74.0	10.2	99.0	11.8	-25.3	24.5	*	*
100	(-)	Dobson Park Industries	72.5	47.5	53.6	30.4	35.3	47.2	*	*

NOTES

Year end is Dec 1991 unless otherwise stated

3 Ford New Holland included to May 1991, Jaguar to November 1991
6.Figures consist of exports of goods £1,979m (£2,060m in 1990) and services £299m (£288m)
8.Yr end Mar 1992
9.Yr end Mar 1992

12.Yr end Sept 1991. 1991 figures include full-year consolidation of Davy Corporation
13.Yr end Mar 1992
14.Company not included in 1991 table. Would have been ranked number 26
15.Yr end June 1991
16.Yr end August 1991Company not included in 1991 table. Would have been ranked number 60
20.Yr end Mar 1992

21.Yr end Jan 1992
23.Yr end Jul 1991
26.Includes Rockware and Hawker Siddeley from date of acquisition only
27.yr end 7th Mar 1992. Exports are calculated duty free whereas turnover is duty-inclusive
29.Yr end Aug 1991
30.No turnover figures available

31.Yr end Mar 1992
32.Yr end Mar 1992
35.Yr end Sep 1991
38.Figures relate only to non-financial companies in the BAT group
37.Yr end Mar 1992
40.Yr end Mar 1992

41.Yr end Sep 1991
43.Yr end Jan 1992
46.Yr end Jan 1992
48.1990 figures are for the fifteen months to Dec 1990.

51.Yr to 27th Sep 1991
54.Yr end Mar 1992
55.Yr end Oct 1991
58.Yr end Nov 1991 1990 figures are for the twelve months to Sep 1990.

62.Yr end 3rd Aug 1991
67.Yr end Mar 1992
69 Yr end Mar 1992
70.Yr end Mar 1992

80.Yr end Mar 1992
82.Yr end Mar 1992
83.Yr end Mar 1992
85.Yr end Nov 1991
86.Yr end Mar 1992
87.Yr end Mar 1992

90.Yr end Mar 1992

100.Yr end Sep 1991

* Not available
o/s: Overseas t/o: Turnover
Net exp.: Exports - Imports (where available)

Gloomy reading sector by sector

By David Dodwell, World Trade Editor

AN EXAMINATION of leading exporters by sector makes gloomy reading.

Indicative of the difficulties facing most UK exporters, the three construction companies in the Top 100 saw exports fall 15.4 per cent, while general engineers reported an 11.7 per cent fall. Among these, Simon Engineering exports tumbled 32 per cent, with APV down almost 29 per cent, Vickers down 23 per cent, and Siebe down 19 per cent.

It was left to the Weir Group, with a 26 per cent gain, Vosper Thorneycroft (up 14 per cent), and new entrant Dobson Park (up 35 per cent) to relieve an otherwise depressing picture.

Among the largest sectors, the 13 chemicals companies placed in the Top 100 saw exports fall 1.3 per cent. Du Pont, Monsanto, BASF and Schering reported falls of 10 per cent or more, leaving Polaroid to stand alone, gaining 22.5 per cent.

Looking at the 13 companies in the motors sector, a 13.8 per cent sectoral improvement was gained solely because of the entry of Nissan and Vauxhall into the Top 100. By contrast, Peugeot saw exports fall 20 per cent, with Michelin's foreign sales falling 11 per cent.

In the Food and Drink sector, eight companies reported an overall gain of 5.3 per cent, with the biggest gains by far coming from Nestle (up 16 per cent) and Grand Metropolitan (up 11.5 per cent). Among companies grouped in the Health and Household sector, the only strong performances came from Lilly (up 15.4 per cent), Roche (up 17 per cent), and Boots (up by almost 27 per cent). Marks and Spencer reported a 26 per cent rise.

While BP and Shell saw falls in their export performance, other oil companies performed well. Esso's exports rose by 42 per cent, while Texaco boosted overseas sales 25 per cent and Mobil 21 per cent. Among the "miscellaneous" stars, British Nuclear Fuels boosted exports 50 per cent; BAT Industries reported a 31 per cent rise: Thorn EMI, rose 23 per cent.

MOTOR INDUSTRY

Rank 1991	Motor companies	Exports 1991 £m	% chng. on '90
3	Ford Motor	2,782.0	1.9
14	Nissan	681.7	108.1
16	Vauxhall	620.4	247.2
23	Lucas	383.0	0.5
25	Peugeot Talbot	365.1	-20.1
38	T & N	259.0	0.8
42	Leyland Daf	244.0	8.4
52	Cummins UK	211.8	-7.8
60	Michelin	177.6	-11.6
66	Goodyear	153.7	7.1
84	BBA	101.8	9.1
91	Pirelli	92.1	-7.0
92	GKN	91.0	-4.2
	Total	6,163.2	13.8

Shipowners face higher insurance premiums

By Richard Lapper

INTERNATIONAL shipowners can expect to pay increased insurance premiums next year, as the industry struggles to keep pace with rising claims.

The UK P&I Club, one of the world's biggest marine insurers, which insures the liabilities of over a quarter of the world's fleets, said yesterday it expected premiums to increase on average by 15 per cent in 1993 compared with a 20 to 25 per cent increase this year.

The Club, which is owned by the 800 fleets whose insurance it provides, has also warned its members that it may be forced to place a limit on the level of insurance cover it offers, although this would only occur if the world's 15 other P&I clubs agreed to follow suit.

The UK Club insures the liabilities of more than 800 fleets including such household names as Shell, BP, Chevron, Hapag Lloyd, Mitsui and Sealand. It covers such risks as pollution, damage to other ships and marine installations and bodily injury to passengers and crew. Traditionally this level of cover has been unlimited.

Lloyd's of London and a number of European and US companies provide an entirely separate market for the insurance of marine hulls and machinery. But Mr Stephen James, director of Thomas Miller P&I, which manages the UK Club, said increases were less than he had feared at the beginning of the year.

"Claims are beginning to level off mainly because of the slowdown in the shipping industry," said Mr James. "Claims are continuing to rise but not at the same alarming rate as in recent years."

The club expects overall claims from 1991 to total $382m (£234.3m). Claims have risen steadily during the 1980s, topping $420m in 1990, the worst year in the club's history. Oil spills, especially in the US, have been a particular cause for concern. Clean-up costs after the Exxon Valdez tanker accident in Alaska in 1989 amounted to over $2bn, although the P&I clubs were able to offset the bulk of claims through reinsurance.

Insurance premiums, which can account typically for about 5-10 per cent of a fleet's costs, have risen at a rate averaging 3 per cent above inflation over the last decade. Premiums for P&I cover were now generally higher than those for hull and machinery. Insurance represents the biggest item of expenditure after fuel.

UK P&I Club is also stepping up its efforts to improve the quality of management on board ships to reduce accidents and potential claims. A number of club members have been expelled because their safety and management standards have failed to measure up.

RISING TIDE: shipping insurance premiums are on the way up

Credit agencies' deficit tops $50bn

By David Dodwell, World Trade Editor

THE accumulated deficit of the world's leading export credit agencies passed $50bn (£30.6bn) in 1991, according to the Berne Union, which represents the world's top 41 agencies.

A total of 49 countries failed to meet fully their repayment obligations under debt restructuring arrangements, up from 46 in 1990, the union revealed at the end of its latest annual meeting. This was "a matter of continuing concern", Mr Ragnar Sohlman, Berne Union president, said in a statement that provided data on the agencies' accumulated deficits for the first time.

The "adverse payments climate" continued in 1991, resulting in claims from exporters rising to $13bn, and recoveries from defaulting buyers falling to $3.9bn. A union official refused to unveil comparative figures for 1990, but said the total for recoveries was only marginally lower than 1990.

Confirmation that the combined cumulative deficit of export insurers continues to rise is likely to increase pressure on agencies to enforce more rigorous risk-assessment methods, and in some cases to raise export credit premiums.

Mr Sohlman said the 41 export credit agencies, from a total of 33 countries, underwrote $340bn in new business in 1991, 3.5 per cent up on 1990. As in previous years, 80 per cent of this was for commodities, raw materials and consumer goods sold on short-term credit terms, normally repaid within six months.

Total exposure under insurance and direct lending programmes amounted to $459bn, up 6 per cent from 1990 after currency fluctuations have been taken into account.

"The recovery of debts from countries in course of fragmenting pose additional problems," Mr Sohlman said: "So do the softer terms, involving the write-off of part of the debts of the poorest countries, agreed in the Paris Club (of leading creditor nations)."

Of the union's 41 members, 20 provide insurance against political risks linked with investing overseas. New underwriting for foreign investments amounted to $4.8bn in 1991, up from just over $3bn in 1990. Cumulative underwriting for investment insurance amounted to $19.3bn, a 12.5 per cent increase on 1990.

Argentine minister for talks in Brazil

ARGENTINA'S economy minister, Mr Domingo Cavallo, is to fly to Brazil tomorrow to discuss ways of overcoming his country's widening trade deficit with Brazil, John Barham reports from Buenos Aires. Mr Cavallo is stopping over on his way to Europe.

He will meet Brazil's finance, planning and trade and industry ministers. Brazil, Argentina's largest trading partner, had a $900m surplus with Argentina in the first eight months of the year.

US-Mexico row

The US and Mexico yesterday asked Gatt's anti-dumping committee to postpone consideration of an independent panel ruling against US anti-dumping duties on Mexican cement, Frances Williams reports from Geneva.

The panel ruled in July that the US had failed to comply with the procedures laid down in Gatt's anti-dumping code, making it liable to return millions of dollars in anti-dumping duties on Mexican cement producers.

The two sides are holding talks on how to settle the matter, and asked for a month's grace before the panel report comes before the committee for decision.

China taste test

Mass market consumer research in China is to be given a boost, with the setting-up of a new joint venture company, thought to be the first of its kind, to be called Survey Research Group (Guangzhou), Gary Mead writes. The venture will focus on developing consumer research in Chinese cities as a means of helping companies and advertising agencies understand Chinese taste.

Spain offers Algeria $1bn export credits

By Francis Ghiles

SPAIN is to extend $1bn worth of export credits to Algeria in 1992-93. The agreement follows the visit to Algiers last week of Mr Javier Solana, Spanish foreign minister, the first by an EC foreign minister since Algeria's electoral process was suspended last January.

Each $500m package will include two $150m short-term loans with maturities of 18 and 24 months, and one medium-term loan. The short-term moneys will cover Algerian purchases of essential goods, not least of them food, the other loan will help fund longer-term projects.

Spain's exports to Algeria were worth $650m last year and are expected to be slightly higher in 1992. With the building of a new gas pipeline to Spain, Spanish purchases of Algerian natural gas are set to treble to about 10bn cubic metres by the late 1990s.

Scottish bus group's Asia deal

By James Buxton, Scottish Correspondent

WALTER Alexander, the Scottish-based bus builder, yesterday announced £15m worth of orders for double-deck buses from Singapore and Hong Kong.

The orders confirm a recovery for the company which in mid-1991 had to put many of its staff on a three-day week and was forced to make others redundant.

Walter Alexander will supply 85 air-conditioned double-deck buses to Citybus in Hong Kong, and provide 200 double-deck bus kits for assembly in Singapore.

The orders, which will be completed in October 1993, mean that exports at present account for some 50 per cent of Walter Alexander's order book.

This year it has exported more than 140 buses to foreign customers and is building Peoplemovers for Honolulu international airport, Hawaii, having supplied similar vehicles for Atlanta and Miami.

Mr Ian Galloway, chief executive, said that partly because of overseas orders, Walter Alexander is now having to work overtime at its plant at Falkirk where it employs 610 people. It also employs 154 people in Belfast.

The company recently recruited 100 people in Falkirk and is now constrained by the number of skilled coachbuilders it can find. It is taking on 30-40 extra people in Belfast.

It expects to deliver between £32m and £33m of buses this year, and expects sales to reach £45m next year, of which £36m have already been ordered.

Mr Galloway said that the domestic market in the UK was showing some signs of recovery, although bus operators were ordering fewer than half the 2,000 buses they needed to order each year to upgrade their fleets.

The company had been helped by the closure last winter of some of the bus-making capacity of its UK rivals.

In April, Mr Galloway led a £7.4m management buyout of Water Alexander from Spotlaunch, a company formed in 1990 by the finance company Granville to buy the entire Walter Alexander group, which was then quoted on the stock exchange.

HK shares fall as Chinese pressure rises

By Simon Holberton in Hong Kong

HONG KONG'S influential financial community yesterday reacted nervously to the war of words between China's rulers and Mr Chris Patten, the colony's governor, about his plans for Hong Kong's political development.

Share prices on the Hong Kong stock exchange ended sharply lower, with the Hang Seng Index closing 200.07 points, or 3.19 per cent, down at 6,062.47. The fall reversed much of the gains made during the past two weeks.

Mr Patten's plans for greater democracy, which were unveiled on October 7, have so far gained widespread public support.

But there was evidence yesterday that the financial community was either opposed to his plans or felt they had little chance of success in the face of concerted opposition from Beijing.

One senior merchant banker said: "He has not been here long enough to understand the nuances in Hong Kong. I think the governor has painted himself into a corner and is overestimating public opinion."

China has said it will reverse any changes Mr Patten makes to Hong Kong's political structure if he fails to agree them first with Beijing. It has also put effective halt to the colony's plans to build a multi-billion dollar airport and related projects by threatening to renege on loans raised which span 1997 and to dishonour contracts.

Mr Anthony Belligan, of Peregrine Securities, said: "Mr Patten has to make up his mind whether he wants to go for more democracy at the expense of the airport. I think the financial community would rather see bricks and mortar rather than promises about political development which might be changed in the future."

Investor confidence is one of the most fragile qualities in Hong Kong and has, in the past, been temporarily shattered by rows between London and Beijing. The maintenance of such confidence is crucial to the success of Mr Patten's plans.

Many analysts also doubted whether Mr Patten could retain public support if the economic outlook became clouded. Analysts said that if Hong Kong's people faced the choice of more democracy and an uncertain future, or less democracy but the ability to make money they would chose the latter.

"This is definitely the end game being played out now," said one head of research at a local brokerage. "China wants to emasculate Mr Patten. In a way, it is a compliment to the amount of public support he has been able to amass."

China's hardline position was reinforced yesterday by Premier Li Peng, who repeated Beijing's opposition to Mr Patten's plans. Li, in a meeting with a British trade delegation, threw his own political weight behind the Chinese threats.

"The comments made by foreign minister Qian Qichen and director Lu Ping [of Beijing's Hong Kong and Macau Affairs Office] represent the position of the Chinese government," Chinese state television quoted Li as saying.

During Mr Patten's visit last week, no meeting was arranged with Li, effectively a sharp diplomatic snub.

An aide to the governor said last night that Mr Patten intended to push ahead with his proposals. In the absence of any credible alternatives from China the proposals would be put to the local legislature in the New Year.

China puts markets strategy in place

CHINA'S cabinet has set up a watchdog agency headed by Zhu Rongji, who is in charge of economic policy, to monitor the country's growth in securities business, according to the official media, Reuter reports from Beijing.

The cabinet will oversee another new group, the China Securities Supervision and Administration Committee, in setting day-to-day policy for the securities industry.

Zhu, appointed to the Standing Committee of the Communist party's politburo this month, laid the groundwork for the Shanghai stock market as the city's mayor in the mid-1980s.

The Supervision and Administration Committee will be chaired by Liu Hongru, a former central bank vice-president and now vice-minister of the State Commission for Restructuring the Economy.

The dual committees are the final piece in Beijing's plan to spread its experiment with financial markets across the country. Three new state-controlled brokerages are operational and a national system for securities trading is taking shape.

"[The government] is making great efforts to be a fair judge and will unify and co-ordinate related policies concerning shares and state treasury bonds to protect the interest of the broad masses of investors," the Xinhua news agency said.

Since China officially established its two stock markets in Shanghai and Shenzhen in 1990, securities policy has been handled by the People's Bank of China, the central bank.

A lack of coherent policy and poor supervision became apparent last August, when a botched issue of share application forms provoked rioting in Shenzhen. The riots, fanned by allegations of official corruption and insider dealing, shook planners in Beijing and raised the threat of wider social unrest.

The official securities watchdog joins the three newly-established national securities companies as part of Beijing's strategy for keeping control over the markets.

LDP wriggles on the hook of political reform

Robert Thomson talks to an opposition MP who does not want to be a politician like the others

FROM atop a truck in Tokyo's more fashionable shopping districts, Ms Yuriko Koike has been damning with lavish praise the disgraced godfather of Japanese politics, Mr Shin Kanemaru, whom she lauds for "valuable contributions" to reform of a scandal-tainted political system.

Ms Koike, a TV commentator turned politician, is the star of the Japan New party, formed before a recent upper house election and rewarded with four seats for its middle-of-the-road opposition to excesses of the ruling Liberal Democratic party (LDP).

The resignation of Mr Kanemaru and the factional farce over the selection of a successor have provided Ms Koike with an attentive audience for her *homegoroshi*, or praising to death. She has praised the godfather for generosity in distributing an illegal Y500m (£2.42m) donation to 60 LDP colleagues and thanked him profusely for stirring enough public anger to put political reform back on the agenda.

"It is all a rather cheap drama. The longer the faction fight goes on, the more ridiculous it seems. It reminds me of a sinking boat on which the passengers and crew are arguing over who should be the next captain," Ms Koike explained, in between mouthfuls of noodles in the parliamentarians' canteen.

Faction-fighting continued yesterday, as supporters of Mr Keizo Obuchi, chosen to replace Mr Kanemaru at the helm of the LDP's largest faction, continued a whisper campaign aimed at undermining the authority of his opponent, Mr Ichiro Ozawa, who still has the support of a majority of the faction's members.

The inability of the largest opposition party, the Social Democratic party of Japan, to score political points has allowed the Japan New party to lift its profile by tapping into popular discontent with the apparently unchanging ways of the ruling party and its five fractious factions.

As a recently elected parliamentarian, Ms Koike is still enthusiastically pushing at the apparently immovable Japanese political hierarchy. But she does not have much faith in the LDP's public embrace of "political reform", which surfaces each time the party faces one of its periodic crises.

"I am very pessimistic. We are the lawmakers, but look at the laws we have made," she said referring to the meagre Y200,000 fine imposed on Mr Kanemaru for illegally receiving Y500m. "It's easy to say we should have a redistribution of seats, and then argue over an increase of four seats here and a decrease of four seats there, but this is a technical thing and has nothing to do with the philosophy."

Morihiro Hosokawa, leader of the Japan New party, with Yuriko Koike: prodding at the apparently immovable political hierarchy

If Japanese politics were run by Koike rules, the first change would be made to parliamentary debate. She complains there is "no debate" in Japanese politics, and that opposition parties are restricted because they can only ask pre-arranged questions and not outline policy alternatives. She said. "Parliament should be a place of debate, but now it is like *kabuki* (the Japanese traditional theatre). Sometimes a minister will say, 'Oh, this question is too important for me to answer, I'll ask the bureaucrat to speak.' It is a farce."

Her own public performances are coloured by a feeling for the theatrical, a sense acquired during 14 years of television work. As anchorperson at a popular current affairs programme called "World Business Satellite," Ms Koike, 40, was frequently profiled in the Japanese press as the thoroughly modern woman, trilingual and single.

She speaks English and Arabic, a skill which got her noticed after an interview with Mr Yassir Arafat, the Palestine Liberation Organisation leader, in which she did her own live-to-air interpreting. Her father, an oil man, worked in the Middle East and she stayed on to complete a degree in sociology at Cairo University and to write "Climbing the Pyramids in a kimono", an account of her experiences.

"I remember in the early 1970s at the time of the first oil shock that the Japanese politicians who came to the Middle East had no understanding of the politics in the region. For 20 years I had seen the same problem, and I decided to do something about it, to use my profile to create momentum for change."

Ms Koike is not exactly sure how the electoral system should be changed. Her recently born party is still drafting a proposal but she is certain that the present system does not properly represent the aspirations of Japanese voters.

On political funding, her policy is already decided. The present limit on corporate donations to individual politician is Y1.5m, which she wants reduced to Y100,000, while transgressors would be subject to a maximum penalty of Y3m and a jail sentence.

"It is best to send violators to jail. We also have to make the system more transparent. Politicians have so many support groups and study groups, so many pockets, that it is difficult to know where all the money is going. We should limit the number of pockets, two pockets per politician."

Ms Koike likes standing atop trucks praising her political opponents but she does not intend to stay on beyond her present six-year term: "I don't really want to be a politician like the others. I am interested in changing the system, not in becoming a part of it."

NEWS IN BRIEF

Japanese warning on surplus

JAPAN'S trade surplus, which grew to a record in the first half of this fiscal year, will remain high until demand for imports recovers strongly, a government report said, Reuter reports from Tokyo.

The Economic Planning Agency (EPA) said the structure of Japanese exports had changed from the early 1980s in a way that nearly guaranteed that their value would remain at current high levels.

"In order to curb the trade surplus, we need to increase domestic demand, which the government's economic package announced late August will help stimulate," Mr Shoichi Ojima, the EPA official in charge of the report, told reporters.

Taiwan job losses

Taiwan's state-owned Chinese Petroleum Corp (CPC) plans to cut its workforce by a quarter, or about 5,000 employees, to prepare for competition from the private sector, press reports said, Reuter reports from Taipei.

CPC, which will lose its monopoly on oil imports and processing in the mid-1990s, is quoted as saying it hopes to avoid forced lay-offs.

EC-Asean talks

European Community foreign ministers meet their counterparts from the Association of South-East Asian Nations (Asean) in Manila on Friday, Reuter reports from Manila. Human rights concerns, which have blocked a new economic co-operation agreement between the EC and Asean, will be high on the agenda.

Investment plea

The Asian Bankers' Association said at its annual meeting yesterday attended by some 200 delegates from 23 Asian and Pacific nations that the private sector should take on a greater burden of investment to enhance Asia's infrastructure and to sustain growth, AP-DJ reports from Seoul.

Kidnap gangs hold Philippines economy to ransom

Manila's campaign to attract new foreign investors is being undermined by a law and order crisis, writes **Jose Galang**

PHILIPPINE officials are finding out that improving the country's economy and taming the political opposition are not enough in attracting more foreign investment. Efforts are being stymied by a rash of kidnap-for-ransom incidents involving rich businessmen and their relatives.

Most of the victims have been Manila-based businessmen of Chinese descent, along with a number of Americans and Japanese, and other expatriates in Mindanao in the southern Philippines. Worried Chinese-Filipino traders have taken defensive measures, and some families are packing up and taking their assets elsewhere.

If security for businessmen is not improved and the kidnapping gangs dismantled, the effect could be disastrous. The increasing lawlessness, according to analysts, could be disastrous for the government's campaign to woo new investments, deemed essential in perking up an economy that in the first half of this year was stagnant.

The Philippines had failed to cash in on the surge in foreign investment flows into South-East Asia in the late 1980s, owing to the repeated coup attempts at the time that portrayed instability in the country. Missing the boat again could permanently cripple Manila's attempt to catch up with its fast-growing neighbours.

After the peaceful elections and orderly transfer of power some five months ago, there has been a steady stream of trade and investment missions visiting Manila, including Chinese companies based in Taiwan, Singapore, and Hong Kong. However, the investors' safety has persistently surfaced as a serious concern.

The government of Mr Fidel Ramos, who on October 8 completed his first 100 days in office as president, is aiming for an annual average of $2.5bn of investment over the six years to 1998, during which it hopes to record average economic growth of 8 per cent a year.

At one local business presentation recently conducted by Mr Rizalino Navarro, the trade and industry secretary, the audience of foreign diplomats based in Manila asked mainly about specific government measures that would ensure the safety of investors.

In the first eight months of this year, a total of 29 kidnappings were reported to the police, most of them ending with the victims' families paying up millions of pesos to the kidnap syndicates. No arrests have been reported and the cases have remained unsolved.

President Ramos: has declared war on the criminal syndicates

The number of cases reported was double that in the same period three years ago, according to an official report. Among the latest unreported cases, according to a group of Chinese-Filipino professionals, were the kidnappings of 22 of their group over August-September alone, and which reportedly involved pay-offs of some 50m pesos ($2.1m) to the kidnap gangs. Early this year, the Senate defence committee reported that in 1991 there were about 50 kidnap-for-ransom cases, most of which had been unreported owing to the victims' fears of further harm. The kidnappers "earned" a total of up to 300m pesos ($12.5m) in these activities, the report said. Some of the payments were reportedly made abroad.

A serious stumbling block towards solving the problem is the suspected involvement of police and military officers in the "lucrative" kidnappings.

On the other hand, the newly organised Presidential Anti-Crime Commission (PACC), supposedly a "super-body" against lawlessness and headed by Mr Joseph Estrada, the vice-president, had been hamstrung by inadequate financing and alleged "leaks" in its operations.

Mr Estrada was thought to have gained an important breakthrough last month with the arrest of two senior police officers, one directly in charge of anti-kidnapping operations. A third police officer had admitted to Mr Estrada his involvement in kidnappings allegedly planned by the senior officers, and has turned state witness in the court cases against the two.

The PACC has also made some arrests in recent weeks of alleged kidnap gang members. However, the arrests represent a small proportion of a reported total of some 40 kidnap gangs operating in metropolitan Manila alone.

Confidence in the government's drive has also been tarnished by the recent "confession" by an arrested gang leader of the alleged involvement of some "10 generals in the police and military in his group's activities". This was hastily retracted.

The police involved with the kidnappers reportedly have connections in the local Chinese community, along with suspected members of Chinese organised crime syndicates operating in Hong Kong and Taiwan. It is alleged they identify prospective targets for kidnapping operations. Successful entrepreneurs active in the community as leaders are also coming under suspicion.

The kidnapping syndicates are so sophisticated that some ransom notes are said to be accompanied by photocopies of the victim's bank statements. Yesterday police released a list of the 12 "most-wanted criminals" which included a number of alleged kidnap gang leaders. On the list were Chinese-Filipinos said to be the kidnap syndicates' connections in the Chinese community. Big rewards were offered for their arrest. The PACC's image was badly tarnished when a gang in late August kidnapped a Manila businessman's son, a godson of Mr Estrada. The family refused to co-operate with the police for fear of jeopardising the boy's safety and after several days paid a reported 25m pesos ($1.04m).

Last month two teenage sons of Chinese-Filipino merchants were killed even after the payment of a ransom of 1.7m pesos.

These incidents have caused anger and outrage in the Chinese-Filipino community. However, government officials apparently have succeeded in talking leaders of ethnic Chinese businessmen out of plans to set up vigilante forces manned by foreign mercenaries.

Mr Ramos may also have contributed to the anxiety by declaring that he was "not satisfied" with the performance of the PACC, which prompted an offer by Mr Estrada to resign. Mr Ramos quickly reiterated full confidence in his anti-crime leader and ordered immediate financing for the PACC, including protection for witnesses. Mr Ramos, a former general who headed the Philippine Constabulary has also declared an "all-out war" against the kidnap syndicates.

The outcome of that war will go a long way to determining the shape of the country's economy in the coming years.

Outside world intrudes on Brunei's 'haven of peace'

Kieran Cooke reports on why all is not rosy in paradise despite per capita income of $25,000

GOVERNMENT literature describes Brunei as a "haven of peace" in a troubled world and Sultan Hassanal Bolkiah, the absolute monarch, prime minister and minister of defence, is, according to the same sources, a wise, just and beneficent ruler.

Revenues from oil and gas give Brunei's 270,000 people a per capita income of $25,000 – one of the highest levels in the world. When the hydrocarbons run out then there's always the money from Brunei's estimated $35bn worth of worldwide investments. But per capita income statistics can be misleading and there are many in Brunei who have to struggle to make a living. Away from the official literature, there are indications that all is not rosy in paradise.

On one hand Brunei, a country of under 6,000 sq km on the west coast of the island of Borneo, strives to be a developed, modern nation. On the other its rulers want to preserve and perpetuate a system which, to most observers, seems to belong to another age.

In the 15th and 16th centuries Brunei was a considerable power in the region, with influence throughout the island of Borneo and the Philippines. In later years Brunei became a British protectorate. Full independence from Britain came only in 1984.

Recently, lavish celebrations marked the Sultan's 25 years on the throne. The Sultan, still only in his mid-40s and widely believed to be the world's richest individual, says there will be no change in Brunei's monarchical system of government.

There are no political parties in Brunei and the last elections were held more than 30 years ago. A state of emergency has been in force since an uprising in 1962 was put down by British troops.

The Sultan and his family hold the key positions of power. One brother is minister of foreign affairs, another is minister of finance. In addition the Sultan's family control a large slice of the economy. Brunei is a very secretive society so it is impossible to ascertain whether there is any real distinction between the state wealth and that of the Sultan.

Beneath the Sultan and his family is a vast bureaucracy which employs nearly half the country's working population. It is difficult to gauge either the Sultan's or the government's popularity. Long-term residents say any dissent is carefully monitored. A number of people imprisoned without trial since the uprising of 1962 were only released after nearly 26 years in jail.

The legitimacy of the monarchy and of government is emphasised through a doctrine or philosophy known as Melayu Islam Beraja (MIB) or Malay, Islam and Monarchy. The MIB has, in recent years, been elevated to govern all aspects of life in the country.

The aim of MIB – now a compulsory subject both at school and university – is "to foster a national identity and an awareness of Bruneian values, customs and traditions."

Critics say some parts of Brunei's history are being rewritten to conform to MIB. The ritual and etiquette surrounding the Sultan have become more intricate and mysterious. The Sultan himself has given up, in public at least, some of the more lavish aspects of his lifestyle and become more conservative.

"The government is trying to more or less invent some general Brunei identity," says one Bruneian. "At the centre of this is Islam, which means any non-Moslems are excluded."

Brunei has become noticeably more Islamic. Buddhist temples have been closed and Moslem principals have been appointed to mission schools. Expatriate preachers and priests who had lived for several years in Brunei have been told to leave. Islamic scholars returned from studies in Cairo and elsewhere in the Middle East form a potentially powerful group in government. As elsewhere in South-East Asia, the Chinese control much of the commercial life of Brunei. Some have grown very rich. But the Chinese face an increasing array of restrictions.

Nearly 70 per cent of the population is under 30 years of age. The government is clearly worried about increasing unemployment.

Despite the emphasis on national identity, the outside world is intruding. There are Bruneians who want some say in the running of their country. A more educated generation is becoming informed about their rulers and life abroad. Soon they might wonder if they are living in the best of all possible worlds.

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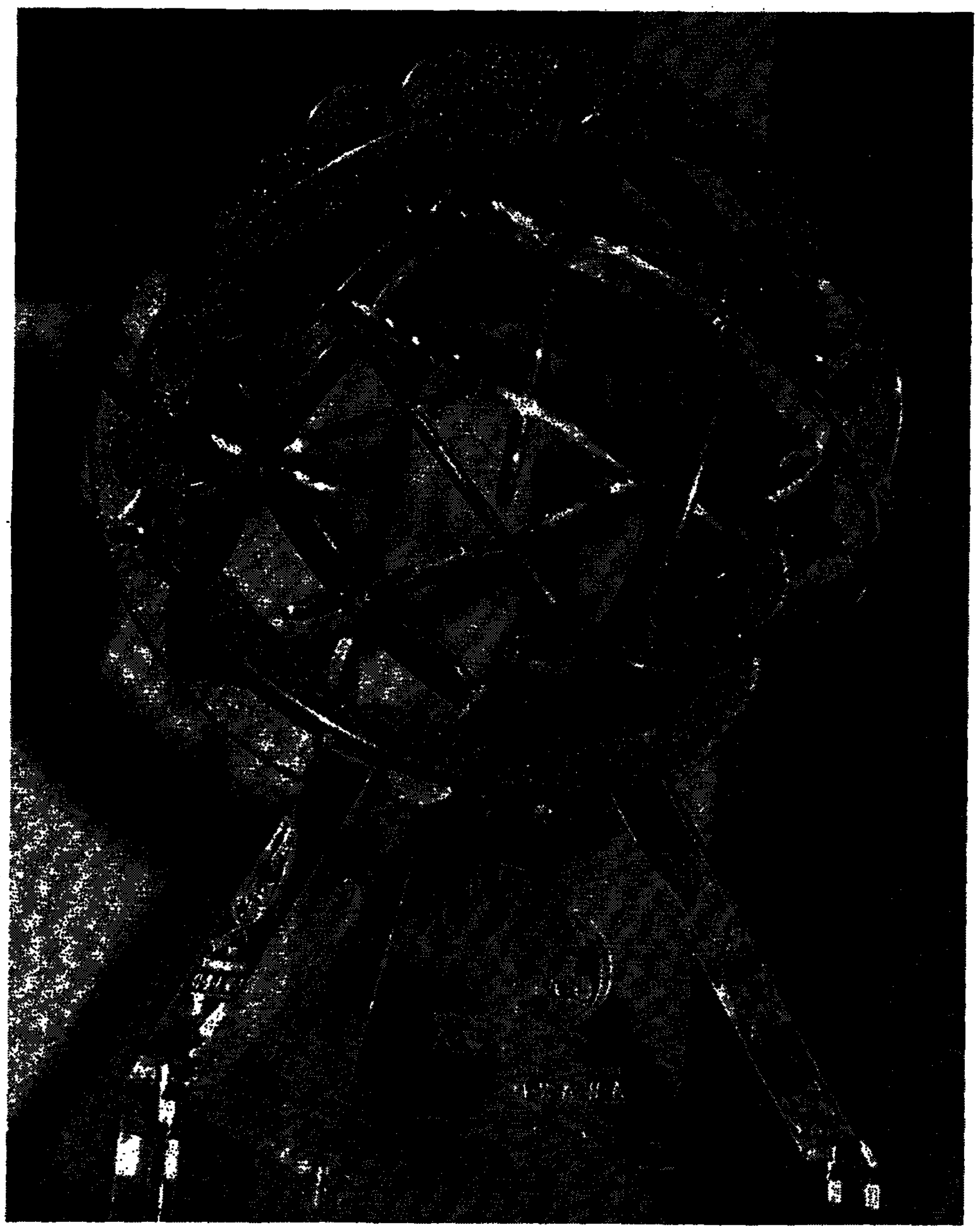

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Israel attacks south Lebanon guerrilla bases

By Judy Maltz in Jerusalem and Lara Marlowe in Beirut

ISRAELI aircraft and artillery bombarded Shia Moslem villages in southern Lebanon yesterday in retaliation for a guerrilla attack at the weekend in which five soldiers were killed and another five wounded.

Israel also deployed substantial military reinforcements in its occupied zone inside Lebanon, where the attack by Iranian-backed Hizbollah forces occurred.

The shelling by Israel and its South Lebanon Army (SLA) militia allies extended across almost the width of Lebanon, from the Mediterranean in the west to the lower Bekaa Valley in the east. A UN source said 200 shells exploded in just one hour around the market town of Nabatiyeh and in the Bekaa.

Israeli helicopter gunships raided two villages, including Kfar Tibnit, a staging ground for Iranian-backed Hizbollah guerrillas.

At least eight Lebanese civilians were reported wounded. Lebanese-based guerrillas also fired rockets into Israel's self proclaimed security zone in the southern part of the territory.

Prime Minister Yitzhak Rabin, addressing the opening winter session of the parliament, held both Syria and the Lebanese movements responsible for the attacks.

"It's hard to understand how they (Syria) on the one hand, are involved in negotiations with us, and on the other hand, permit this kind of action," said Mr Rabin. General Ehud Barak, chief of staff of the Israeli army, said Israel would continue to fight the guerrillas and would "exact a high price" for the Hizbollah attack.

Syria maintains 40,000 troops in Lebanon and most of Hizbollah's material and financial assistance from Iran passes through Syria.

The Lebanese and Syrian governments have refused to disarm Hizbollah on the grounds that it was a "resistance movement" fighting Israeli occupation.

Extremists' knife enters near Egypt's heart

Tony Walker and **Michael Skapinker** on the threat to tourism from the recent attacks on foreigners

LAST MONTH Mr Fouad Sultan, Egypt's tourism minister, boasted that the country had "the least terrorism of all the countries of the world. . . ." and that "everything is under control".

Mr Sultan, regarded as one of the better performers of a generally lacklustre Egyptian administration, could be excused for wondering whether he might not have erred by tempting fate.

A sudden rash of Islamic extremist violence against tourists is endangering the country's multi-billion dollar tourism industry at a time when it was achieving spectacular growth rates and new investment was pouring into the sector.

The slaying last Wednesday of a British tourist south of Cairo and the stabbings at the weekend of Russian visitors to Port Said at the entrance to the Suez Canal have cast a pall over an industry that had been reaping tremendous rewards since the end of the Gulf war.

Together with concern engendered by the Cairo earthquake which killed up to 600 people (none of them tourists) these latest incidents have drawn unwelcome attention to the possible dangers of Third World travel, especially in a country where Islamic extremism is on the rise.

Tour operators and large hotels contacted in Cairo yesterday said they were experiencing cancellations among both individuals and, more worryingly, tour groups – the lifeblood of the industry.

The Cairo Marriott said that tour operators were reporting that group numbers would be down by as much as 20 per cent. Italian groups – tourism from Italy has been booming – were prominent among those notifying cancellations.

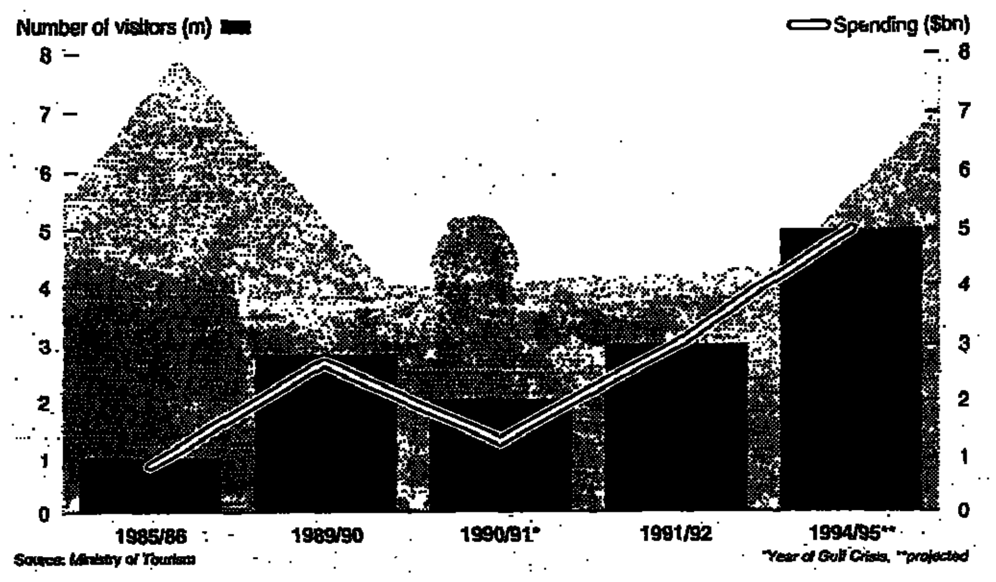
Foreign embassies in Cairo, sensitive to the importance of tourism to the hard-pressed Egyptian economy, have been guarded in their comments on dangers to visitors, but most western missions have felt obliged, in response to inquiries, to point out the risks

In London, Thomson, the UK's biggest travel company, said it saw no reason at the moment to be concerned about future bookings or the safety of its 700 customers currently in Egypt.

The company, which takes 25,000 tourists to Egypt annually, said: "These are isolated incidents, just as there was another bombing in London on Sunday night." Thomson said it had had "one or two" cancellations.

Kuoni Travel, which carries 15,000 UK tourists to Egypt a year, said it had one cancellation last Friday.

Egypt: tourism



Mr Martin Thompson, managing director of Abercrombie & Kent Travel, an upmarket operator, said: "We believe that people should not go off the beaten track in Egypt." The company, which takes 11,000 tourists to Egypt each year from the UK, the US and Australia, said: "We're keeping our ears close to the ground both here and in Cairo. But nobody in London has cancelled so far."

However, Egyptian tour operators fear a return of the gloomy Gulf war period and its aftermath during which Nile ferries sailed empty and hotel occupancy rates plummeted.

With investment of more than US$1bn planned for an industry which is Egypt's biggest foreign currency earner, apart from workers' remittances, the stakes are high. A million Egyptians are estimated to derive their livelihood either directly or indirectly from the tourism sector, which contributes 6 per cent of gross domestic product.

Barring accidents, Mr Sultan had predicted that numbers of visitors would grow to 5m annually by financial year 1994/95. This would represent a 400 per cent increase in tourist numbers in a decade, and there remains scope for further growth.

Hotel room capacity in Egypt has more than doubled since 1985 to 53,000, barely keeping pace with demand. Another 14,000 are under construction and there are plans for more.

Businessmen with projects already under way are unlikely to be deflected by the recent troubles, but those planning to make commitments may pause; for whatever officials might say about internal stability, there is increasing concern about a surge in fundamentalist violence amid growing signs of disaffection with the established order.

Unless, the authorities can find a way to neutralise Islamic militants, prospects are for more rather than less trouble. Ominously, extremists under the umbrella of *al-gama'a al-Islamiya* (literally, Islamic groups) appear to have decided to target visitors as a means of undermining the government's authority.

Anonymous spokesmen have, since August, been threatening to strike at tourists and tourist installations. That they have now made good their threats suggests that a rudimentary network exists to carry out pin-prick attacks. The militants may have found the government's Achilles heel.

Cairo buildings collapse into street

TWO four-storey buildings collapsed into the streets of central Cairo yesterday, witnesses said, Reuter reports from Cairo.

It was not immediately clear how many people were hurt. Scores of young men struggled to move the rubble with their hands, the witnesses added.

Women wailed and screamed at the site as ambulances and rescue teams fought their way through heaps of rubble and choking dust to evacuate casualties.

Witnesses said an old building had collapsed into a new one and they both fell onto the streets.

"At least one badly injured person was taken away on a stretcher," a Reuter reporter said from the scene.

It was impossible to determine whether the buildings collapsed because of the earthquake which hit Egypt on October 12, killing 552 people and injuring some 10,000.

Dushanbe quiet after defeat of Nabiyev troops

By Steve LeVine in Moscow

DUSHANBE, the capital of Tajikistan, was mostly quiet last night after the government, backed by units of the Russian army, defeated a two-day coup attempt by supporters of the former Communist president.

The rebels left Dushanbe after the government of acting President Akbarshah Iskandarov promised that a special parliamentary session would decide whether Mr Rakhmon Nabiyev, who was ousted from office at gunpoint last month, should be reinstalled. There was no indication whether the promise would be kept.

More than 2,000 irregular troops patrolled the city last night. There was occasional gunfire.

The coalition Tajik government of pro-Islamic and democratic parties has fought forces loyal to former President Nabiyev since May in battles that have killed more than 1,000 people. The pro-Nabiyev forces possess substantial arms, including armoured vehicles, but analysts said they seemed unlikely to mount a new challenge to the government soon.

Part of the reason is a lack of leadership. Two of the three strongest rebel military leaders were either killed or wounded in the coup attempt, which began at dawn on Saturday when they seized control of much of Dushanbe.

Mr Rustam Abdourahim was killed and Mr Langari Langariyev wounded: both were leaders of the irregular militia recruited from the southern Kulyab region. The political leader of the coup attempt, Mr Safarali Kendjayev, the former parliamentary speaker, was wounded by his own troops when Commonwealth of Independent States forces escorted the rebels out of Dushanbe on Sunday night.

This leaves just one of Mr Nabiyev's key military leaders – Mr Sangak Safarov, perhaps the most daring and skilful of the ex-president's lieutenants – fully operational. Mr Safarov did not take part in the latest fighting.

The CIS garrison in Dushanbe provided tacit support to the Tajik government during the coup attempt. Though taking no part in the battle, the 201st CIS Division took control of virtually all of the capital's strategic points. It blocked roads leading into Dushanbe, preventing the entry of rebel reinforcements, and defended the railway station, the television station and the airport.

Kuwait plans sell-off of telecoms services

KUWAIT plans to privatise its telecommunications services, a communications ministry source said yesterday, Reuters reports from Kuwait.

He said a company would be established, possibly within six months, which could offer shares and begin functioning in 1994.

The company, to be called the Kuwait Telecommunications Company, would take control of local and international phone calls, fax and telex services from the communications ministry. Mobile phones will remain in private hands, he said.

Initially the company would be 51 per cent owned by the public and 49 per cent by the government, the source said.

The government could then sell up to a 25 per cent stake to foreign investors, retaining a 24 per cent stake, he said.

The equipment of the telecommunications ministry would be transferred to the new company, the source said.

"We are in the process of evaluating our assets," he said.

The launching of the company would be a major step in the government's programme to privatise public services.

● The investment branch of the Kuwaiti government has reported "improprieties" in its troubled investments in Spain and the government has referred the case to the prosecutor-general, Reuter reports from Kuwait.

Finance minister Nasser Abdulla al-Rodhan told the official news agency KUNA yesterday that the executive committee of the London-based Kuwait Investment Office (KIO) disclosed the improprieties in a preliminary report.

"The finance minister has referred the subject to the prosecutor-general to take the necessary legal measures," KUNA added.

Outbreak of 'Perotnoia' baffles experts

MR Ross Perot has again given a strange twist to the already convoluted plot of this year's US presidential election, with his allegations of a conspiracy by the Republican party to disrupt his daughter's wedding, writes George Graham in Washington.

Mr Perot claimed on Sunday that this plot was the real reason he withdrew from the election in July and not, as he said at the time, the revitalisation of the Democratic party and the prospect that his candidacy would deprive any candidate of a majority in the electoral college.

Mr Perot yesterday repeated his claims, while admitting he had no proof.

Political analysts yesterday were scratching their heads over whether voters would see Mr Perot's charges as a credible example of the Republican party's propensity for "dirty tricks," or as further evidence of the Texas tycoon's penchant for plots and conspiracies – which has already spawned a host of "Perotnoia" and "Inspector Perot" puns.

The episode might be dismissed as a trivial aside, but it comes at a moment when the campaigns of both President George Bush and Governor Bill Clinton are agonising over the likely path of Mr Perot's support in the final week before next Tuesday's election.

Mr Perot, who re-entered the campaign at the beginning of this month, has gained ground steadily since the three televised debates in which he appeared with Mr Bush and Mr Clinton. Several opinion polls now put his vote at about 20 per cent. His advance has come mainly at Mr Clinton's expense.

Pollsters wondered whether the Texas independent's support would prove to be a short-lived fever, reaching a peak and dropping away before November 3, or a more enduring phenomenon.

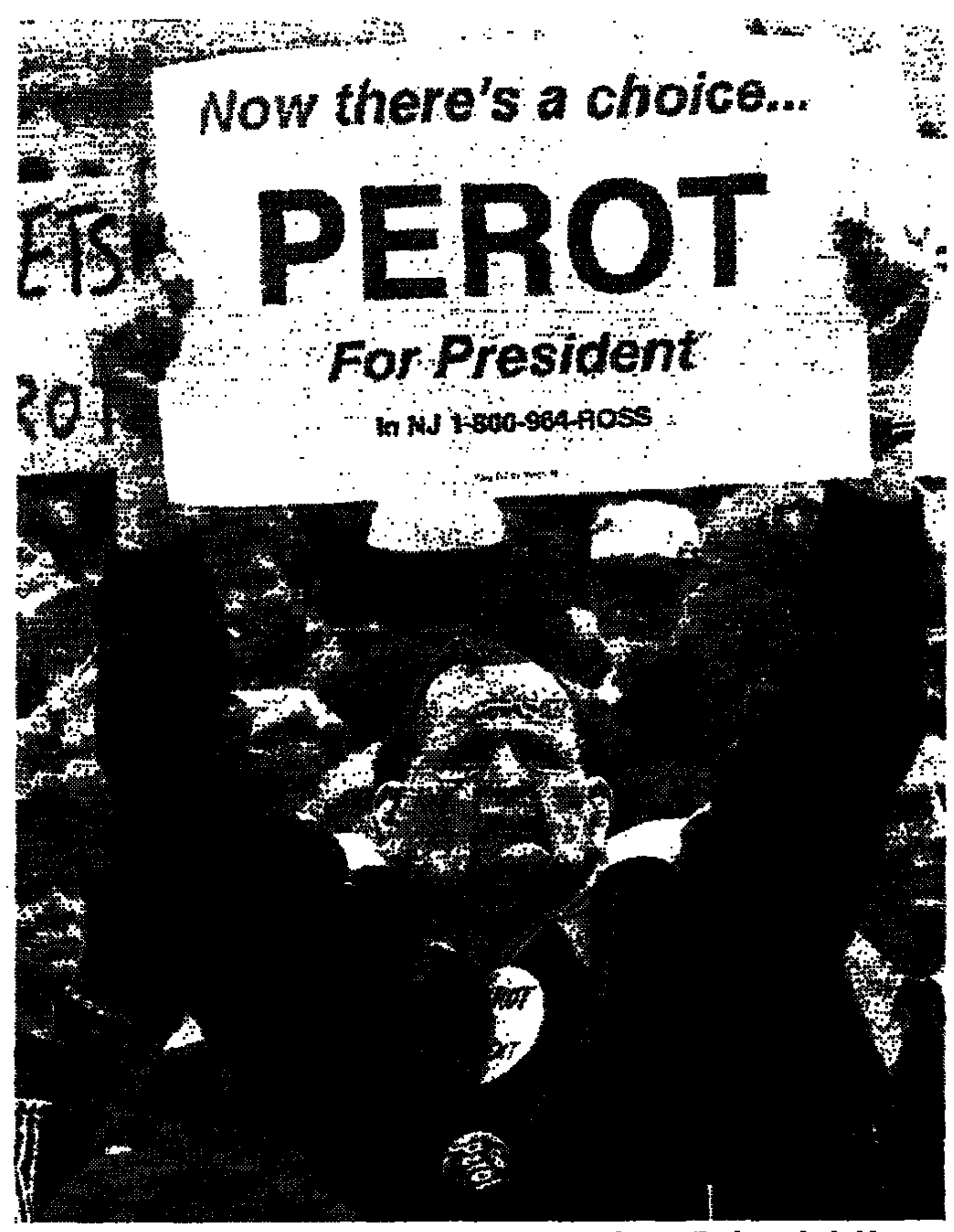
Public reaction to his charges could play a considerable role in that.

In June Mr Perot's standing in opinion polls slid rapidly in the face of repeated stories about his habit of using private investigators against all and sundry – business foes, Mr Bush's sons and even his own family.

"He is, after all, accusing the president of the United States of organising an assault on his daughter's wedding. Either he is going to marginalise himself or the president is going to be involved in controversy. I think it's more likely he will marginalise himself," Mr Stanley Greenberg, a pollster for the Clinton campaign, told the New York Times.

CBS Television's widely watched "60 Minutes" programme, on which Mr Perot made his allegations, made it perfectly clear that its own and FBI investigators had both found the charges unfounded.

But the Bush administration has laid itself open to such charges by its search of the passport files of Mr Clinton and his mother, a search which Mr Bush himself has termed "reprehensible".



Bush for Ross: A supporter of Ross Perot, wearing a George Bush mask, holds up a placard during the independent candidate's rally in Flemington, New Jersey

Clinton thrives on nocturnal adrenalin

When the sun goes down a different man emerges, writes Jurek Martin

RUNNING for president can cruelly expose character traits. In President George Bush it lays bare a fragile command of language – he thanked a New Jersey rally the other day for a "wonderful recession". In Mr Ross Perot it strips layers off an already thin skin.

In Governor Bill Clinton it reveals the increasingly evident fact that he is a night person. The Democratic presidential candidate at dawn often seems on auto pilot, not necessarily helpful given the frequency this year of breakfast television interviews. When the sun goes down a different man emerges.

This worked to his advantage on a crisp Sunday night in Winston-Salem, North Carolina, at the ramshackle Dixie Classic fairground. He was late arriving from Michigan, as all politicians are from everywhere. Local entertainment had done its best to keep a crowd of about 3,000 warm, especially a folk group which sang a nice ditty about Mr Bush: "Read my lips, I'm just the driver/I don't know where we are either."

But the rally was expecting "something special" which, according to Mayor Martha Wood, appears to be Winston-Salem's current slogan.

It did not quite get it from Senator Al Gore, though he tried to set up his running mate in style to kick off the pair's latest, and probably last, bus tour.

While Mr Gore was running through his now predictable bag of rhetorical tricks, carefully mentioning the word "change" every third sentence, Mr Clinton stood at the rear, an arm round his wife Hillary, and occasionally pointing out signs in the crowd to his daughter Chelsea.

Mrs Clinton, greeted by a chorus of "Happy birthday to you," which it was, put in what is now her standard cameo performance when appearing with her husband and when he has not lost his voice – a broad smile and three sentences. If she is frustrated by this deferential role, she has become far too good a political trouper to let it show.

Husband Bill, though, could hardly wait to get started. "My mother," he said, about the State Department's investigations into every passport ever held by anybody ever called Clinton, "has handled far tougher people than George Bush in her life".

The crowd liked that one and it liked even more his next foray. Mr Perot, he chuckled, had just that night accused Mr Bush of investigating his children while earlier Mr Bush had accused Mr Perot of an identical offence. If all they could do was pry into the lives of each other's children, then, in contrast, "I would like to look after 'your' children".

He ran through his standard economic policy proposals more briskly than usual, but all the time returned to Mr Bush (though not again to Mr Perot). Detecting a Bush/Quayle placard in the crowd, he pointed at the offender. "Why listen to them? They tell lies. Listen to me," he urged.

In a well-wrought coda he said the country was facing "an age old conflict – of hope versus fear... of new ideas versus comfortable and proven failures".

Always there was an explicit appeal to his audience. Looking like a first world war recruiting sergeant, he pointed at the crowd and said: "I want you to be part of the bi-partisan movement sweeping the country."

North Carolina had been "a beacon of hope" in the US and if light were now shining in Orange County, California, that bastion of conservatism where he had held a successful rally last week, then surely, Mr Clinton said, it should be blazing here in the tobacco fields – not that he mentioned Winston-Salem's state crop by name.

It was a good speech, bog standard to be sure but lively and delivered with some style.

It broke no new ground, but the ground Mr Clinton is trying to break here is the 20-year-old Republican monopoly of the region, interrupted only briefly in 1976 by another southerner, Jimmy Carter.

But this was Sunday night. Yesterday morning, before boarding the bus, it was another television studio and another national audience and back to auto pilot again. The answers rambled, he agreed and disagreed with his questioners. He hardly let Mr Gore get a word in.

But he was awake enough to remember the cost of a quart of milk, a gallon of petrol and a pair of blue jeans.

DATA UNLIKELY TO GIVE BUSH A LIFT

THE weak economy has been a handicap for President George Bush throughout the presidential election campaign. He should avoid big embarrassments in the next week but the figures are unlikely to show convincing signs of recovery, writes Michael Prowse in Washington.

□ Today. The single most important pre-election statistic – gross domestic product for the third quarter – is released. For Mr Bush to gain an advantage it would have to show growth at an annual rate of 2 per cent or more.

The consensus view, however, is that third-quarter growth will be 1.5 per cent, about the same sluggish pace as in the second quarter. Consumption, two thirds of economic activity, probably grew at about 3 per cent, but this is likely to be largely offset by weakness of trade and capital spending.

Some bears believe a worse figure is possible. Mr Allen Sinai, chief economist for The Boston Group, an economic consultancy, forecasts growth at an annual rate of only 0.9 per cent. A figure below 1 per cent would allow Mr Clinton to claim the economy was deteriorating again.

The Conference Board also publishes its closely followed consumer confidence index. Most analysts expect a small decline in October, for the fourth consecutive month. Confidence is running at about half the level normal in a vigorous recovery.

□ October 28. Analysts expect figures for durable goods orders to show a 0.5 per cent increase last month, a modest rebound after a 0.1 per cent decline in August. However, a nasty shock should not be ruled out as consensus forecasts for this and other figures have frequently been over-optimistic.

Personal income and consumption figures for September are expected to show modest increases of 0.5 per cent and 0.3 per cent respectively, following declines in August. Weaker than expected figures might causes ripples in financial markets but would have little effect on the presidential race.

□ October 29. State unemployment insurance claims for the week ending October 17 may show an artificial decline, because of the Columbus day holiday. Claims figures have been falling in recent weeks and the Bush campaign may try to use the data as evidence that employment conditions are improving.

□ October 30. Figures for new home sales are expected to show a modest rebound last month – an increase of perhaps 2-3 per cent after a surprising 6 per cent plunge in August. Another fall in home sales would be disturbing evidence that the housing market is not recovering despite repeated cuts in interest rates.

□ November 2. The October Purchasing Managers' Index – a reliable indicator of the health of manufacturing industry – is the last important statistic before the election.

Mr David Wyss, chief economist at DRI McGraw Hill, the forecasting group, is typical in expecting a rebound towards 50 per cent after an unexpected fall to 46 per cent in September.

Any figure below 50 per cent, however, indicates manufacturing industry is struggling and is bad news for Mr Bush. However, the index is mostly of interest to financial markets and means little to the man on the street.

Mr Bush is fortunate in one respect: he will not be embarrassed on the eve of the election by news of a rise in the unemployment rate – by far the most politically sensitive indicator. Monthly employment figures are released on the first Friday of the month and so will not appear until after the election is won or lost.

Cuban trade caught in battle for Florida vote

New bill aims to capture support of US state's exile community, writes Elizabeth Pisani

DEMOCRATS and Republicans, falling over each other to woo the Cuban exile community and net Florida's 25 electoral college votes in next week's presidential election, have infuriated America's allies.

At issue is a new law making it illegal for subsidiaries of US companies based anywhere in the world to trade with Cuba. The European Community, Mexico and Argentina have complained that the US has no business telling companies overseas who to trade with; Canada and Britain have forbidden companies incorporated locally to take any notice of it.

Florida has long been a Republican bastion, thanks to the party's tough anti-Castro policies that have secured the support of the state's 700,000 Cuban-Americans (83 per cent of them in Dade County).

"Those votes in Dade County, Florida, mean more to George Bush right now than the whole of the EC and Canada put together," said Mr Michael Krinsky, a New York-based lawyer who represents Havana's interests.

Mr José Cardenas, director of research at the conservative Cuban American National Foundation (CANF), added: "Republicans talk the political language of Cuban Americans. But now the Democrats are trying it on for size and like the way it looks."

Two years ago President Bush vetoed legislation similar to that signed into law last week and for months opposed the new law, promoted by Democratic Congressman Robert Torricelli. But once Governor Bill Clinton, the Democrat's presidential candidate, endorsed the proposals, which were tacked on to a defence spending bill, Mr Bush changed his mind. He signed the bill at a Republican campaign function last Friday in a smart Miami hotel.

"It's the Carry Florida Amendment," snorted an executive at a company that stands to lose several million dollars of business.

The bill is the brainchild of Mr Jorge Mas Canosa, a Cuban-American millionaire variously described as a champion of freedom for the Cuban people and a pretender to the presidency in a post-Castro Cuba. He is chairman of CANF, whose Free Cuba political action committee contributed \$17,000 (£10,430) to Mr Torricelli's campaign. Mr Mas Canosa's organisations have also rustled up half a million dollars in funds for about 50 other legislators around the country.

Conservative Cuban-Americans say other countries are complaining about sovereignty because they care more about profits than about democracy for Cuba. But a Canadian official stressed: "We are trying to separate Cuba out from this argument. The country doesn't matter. What matters is the overreach of the US law into Canada."

US trade with Cuba has been restricted for three decades, but for the last 17 years subsidiaries of US companies based elsewhere have simply had to apply for approval from the Treasury in Washington to trade with Cuba. Now such trade is illegal.

Carefully worded comments from the State Department, which earlier in the year opposed the Torricelli bill, suggest Washington will be a limp crusader against US subsidiaries ignoring the new law.

The department, along with representatives from both the Bush and Clinton campaigns, says the legislation is the last straw that will break the back of an increasingly shaky Castro regime.

However, some analysts feel the new law will give Cuban President Fidel Castro a new lease of life. "This bill gives Castro all he needs to scream imperialism without hurting materially," said Mr Andrew Zimbalist, an economist at Smith College, who recently returned from Havana.

Some 300 US subsidiaries requested approval for \$718m of trade with Cuba in 1991, \$13m up on a year earlier, although economists believe the actual trade was far lower.

Executives at some companies maintain the US suffers most from restricting this trade. An executive at commodities traders Cargill said:

Fidel Castro: could be given new lease of life

"One of the basic issues that we brought to the attention of anyone willing to listen on Capitol Hill was that if you close off opportunities to US companies, business will move to other countries." Cargill's Geneva-based subsidiary Cargill International accounted for three-quarters of all US subsidiary trade approved with Cuba for 1990.

The company's entreaties made little headway. "We were told it wasn't an economic issue, it was a human rights issue."

But Mr Mas Canosa is well aware of the economic implications. "[When Castro falls] a market of 11m consumers will open up overnight; a market that will need everything from toilet paper to the most sophisticated computer. And most of that will come from Florida."

Blue Jays distract Canadian voters

By Bernard Simon in Toronto

THE streets of Toronto were clear evidence yesterday that Canadians savour a victory over their US neighbours far more than they fear the threat of their own country falling apart.

At a polling booth on Queen's Quay, near the shores of Lake Ontario, a steady trickle of voters arrived to cast their ballots in a landmark referendum on a new constitution. The final result of the vote was to be announced early this morning, but the six-week referendum campaign has been marked by anger against politicians and a desire to move beyond the dreary business of constitution-making.

The queue was much, much longer and the mood far more exuberant just a few hundred yards to the north at the entrance to the SkyDome, Toronto's sports stadium.

Braving near-zero temperatures, baseball fans began lining up before dawn yesterday to ensure a seat for the lunchtime celebration in honour of their beloved Blue Jays, which became the first team outside the US to win the World Series baseball championship.

In reality, the Toronto Blue Jays are about as Canadian a team as the World Series is an international competition. All their players are either Americans or from the Caribbean, and few of them even live in the frozen north.

But the Blue Jays' victory does have some tangible benefits for Canada. The team is owned by two pillars of Canadian business; John Labatt, the brewing group, has a 90 per cent stake and the remaining 10 per cent is held by Canadian Imperial Bank of Commerce.

The Blue Jays' success on the field is a commercial bonanza for its owners – not to mention Toronto's recession-hit T-shirt and souvenir industry. The SkyDome has pulled in more than 4m fans in each of the past two baseball seasons, more than any other North American ballpark.

But the team has needed every penny from the tickets they have sold. They spent more than C\$46m (£23m) on salaries for players and coaches last season, leading cynics to suggest that any team could win the World Series if it threw enough money around.

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DTI admits MI6 role of Matrix head

By John Mason

A TOP Whitehall official yesterday admitted that the managing director of a UK machine tools exporter worked for MI6, the intelligence service, to gather information on Iraq's nuclear programme.

Ministers also approved the continued export of equipment by Matrix Churchill to one of Iraq's main defence procurement agencies a year before the invasion of Kuwait in order to preserve the intelligence link.

Giving evidence at the trial of three former Matrix directors at the Old Bailey, Mr Eric Beston, an assistant secretary at the Department of Trade and Industry, agreed that one reason ministers approved an export licence to Matrix in early 1989 was to maintain an intelligence source.

He did not know at the time that the source was Mr Paul Henderson, then managing director, and only learnt this when Customs officials began to gather material to bring the prosecution, he said.

Mr Beston's admission followed a revelation by Mr Henderson's attorney that his client worked for MI6 and helped gather information about Saddam Hussein's attempt to develop a nuclear bomb.

Mr Geoffrey Robertson told the court approval by ministers of the export licences of machine tools destined for military use enabled Matrix to survive as a company and Mr Henderson to continue acting for MI6. Matrix went into receivership earlier this year.

Mr Henderson, along with Mr Peter Allen, the company's former sales director and Mr Trevor Abraham, the former commercial director, all deny four counts of breaching export regulations between July 1988 and August 1990.

The prosecution has alleged the three men deceived the DTI by pretending machine tools and computer software exported to Iraq were for civilian, not military use.

Some of the equipment exported by Matrix Churchill was sold to the Iraqi company Nassr, which the UK government knew played a major role in the Iraqi defence procurement programme, Mr Robertson told the court. The two companies were connected, with Dr Safa Al Hobobi being the chairman of Matrix Churchill and a director of Nassr. This connection was known to the DTI, Mr Beston agreed.

According to a secret Foreign Office memo, evidence existed linking Dr Hobobi with the Iraqi nuclear programme, the court heard.

Mr Robertson asked if the main reason for ministers granting the licences was so that the intelligence service could continue to have access to Dr Hobobi's intelligence network through Matrix Churchill. "That was one of the considerations," Mr Beston said.

Mr Beston also agreed that it was known both within the DTI and by ministers that the goods to be exported would be used in Iraqi munitions factories. He also agreed that Mr Abraham had told DTI officials that most of the machine tools exported would be used for munitions production.

Earlier, Mr David Bryars, a senior principal with the Export Credits Guarantee Department, agreed that it had known that Industrias Cardoen, the Chilean intermediary in an earlier transaction, was an arms manufacturer.

Ferry operators accused of collusion

By Richard Tomkins, Transport Correspondent

CROSS-CHANNEL ferry operators have been accused by British hauliers of colluding to profit from sterling's devaluation by imposing big currency surcharges on cross-Channel freight tariffs.

The Freight Transport Association, a body representing freight carriers, yesterday said it would almost certainly lodge complaints with the Office of Fair Trading and the EC competition directorate if the surcharges were not withdrawn.

Within the past few days, all three of the biggest cross-Channel ferry operators – P&O European Ferries, Sealink Stena Line and Brittany Ferries – have announced freight surcharges for British carriers.

In letters to hauliers, the ferry companies have said the surcharges are necessary because the value of their sterling receipts has fallen relative to costs incurred in foreign currencies – for example, on fuel, port dues and wages.

From November 1, they plan to introduce a sliding scale of surcharges for customers paying in sterling, varying from week to week according to the exchange rate. At sterling's present level, the surcharge would be about 10 per cent.

British carriers say their is no justification for surcharges because at least half the ferry operators' income comes from Continental carriers in foreign currencies. This means their currency gains are at least equal to their losses.

Operators are accused of collusion on the grounds that the surcharges, where comparable, are identical; because they come into operation on the same date and because letters to hauliers are similarly worded. Collusion between cross-Channel operators is forbidden following the UK government's refusal to permit co-operation on services and fares. All three denied acting together. Sealink said its move had come first, while the others said they had followed suit because they regarded the surcharges as justified.

All to play for as stakes are raised on treaty vote

Philip Stephens examines John Major's tough stance on Maastricht

AS IF Mr John Major did not have enough troubles. Engulfed by unrest over the economy and Europe, the prime minister found himself caught yesterday in yet another crisis – this time over a fumbled attempt at news management.

The rash of reports that Mr Major was ready to call a general election if he was defeated over the Maastricht treaty left his party, ministers and the Whitehall information machine engaged in a desperate but less-than-successful exercise in damage limitation.

Amid confusion and dismay even among pro-Maastricht Tory MPs, the exercise left unanswered who in the government and why had decided to raise the stakes so dramatically in the Conservative's private war over Europe.

At the heart of the row were weekend press reports that Mr Major would respond to a defeat during the Maastricht "paving" debate on November 4 by calling a general election. No one at Westminster doubts that the prime minister feels strongly about the issue. But suggestions that a defeat on the timing rather than the substance of ratification would send him hotfoot to Buckingham Palace to ask for the dissolution of parliament was received by cabinet colleagues with open-mouthed surprise.

The reports simultaneously outraged Conservative Eurosceptics and persuaded the Labour leadership that it had found an excuse to abandon its European credentials to vote against the government.

The story first surfaced in reports from journalists accompanying Mr Major's weekend trip to Egypt.

So when Sunday's front pages carried identical headlines about the election threat, cabinet ministers were among those who drew the conclusion that Mr Major was the source.

The prime minister reinforced that view by insisting that others could draw their own conclusions from his strong support for the treaty. He seemed happy that Tory MPs would deduce he was threatening them with a Labour government.

But as ministers and Tory MPs expressed horror at what one called a threat of "mass hara-kiri" another version of events was circulating at Westminster.

Some ministers were suggesting that Mr Major's officials – and in particular Mr Gus O'Donnell, his press secretary – had stretched too far the logic of a deal agreed at last week's cabinet meeting.

That meeting agreed that the government needed to demonstrate it was serious about ratifying the treaty by bringing the legislation back to the House before the Edinburgh summit in December.

The suspicion was that Mr Major's officials had taken the accord a step further by suggesting that the defeat in the Commons of such a decision would lead to a general election. The trouble is that it was impossible yesterday to find a Tory MP or minister willing to agree with that logic.

Downing Street retreated into the argument that Mr Major was confident of winning on November 4. But officials refused pointblank to withdraw the threat. It may well turn out that Mr Major has judged the mood correctly but he has raised the stakes dangerously and the judgment of his peers yesterday was that if the vote is lost, the prime minister will be also.

Job prospects pledge in UK energy review

By David Lascelles, Resources Editor

MR MICHAEL Heseltine, trade and industry secretary, yesterday held out some hope for coal miners threatened by pit closures by promising that his planned energy review would take account of employment prospects in the coal industry.

Announcing details of the review, he said it would be wide-ranging and open, and would culminate in a white paper on energy policy early in the new year.

He said the main purpose of the exercise would be to consider each of the 21 pits left on the closure list in the context of overall energy policy, "including the consequences of that policy for British Coal and the employment prospects for the industry". He would want to ensure that the case for closure of each pit "had been fully made".

Mr Heseltine listed the terms of reference for the review:

- Whether the prospects for coal had been correctly assessed. Professor Stephen Littlechild, the electricity regulator, would be consulted to see whether any company was abusing its position in the market.
- The consequences of the "dash for gas" in power generation, how gas compared to coal in coast and the size of the UK's gas reserves. Mr Heseltine's own powers to authorise new power stations would be covered.
- The implications of the statutory obligation on electricity distributors to buy a proportion of power from sources other than coal, oil and gas – including nuclear power.
- The opportunities for private-sector production of coal and the position of coal imports.
- Regional needs in Wales, Scotland and Northern Ireland.

Mr Heseltine said consultations would take place with all the big providers and consumers of energy, unions and other interested parties.

Independent consultants would be appointed to report on the prospects for British Coal, to look at its competitiveness and at alternative markets for coal.

Mr Heseltine is to appear this afternoon before the Commons all-party select committee on trade and industry which is conducting an inquiry of its own.

He said he would consider ways of letting the committee see confidential information obtained during the course of his review. Aside from such information he would publish the evidence and findings of the review.

Britain in brief

Lloyd's faces competition suit by Names

Lloyd's came under fresh legal pressure yesterday when five Names lodged a complaint alleging breaches of European competition rules by the insurance market. A 100-page complaint about an alleged failure of self-regulation was lodged with the European Community. It argues that Lloyd's immunity from suit or judicial scrutiny runs contrary to the principles required by the EC treaty of redress to a national court. It details arguments under articles 85 and 86 of the Treaty of Rome. The five Names behind the action are pressing the EC to prevent Lloyd's drawing down from their deposits pending a full investigation of their complaint. The Names – individuals whose assets back underwriting at the market – are members of the 172-strong Lloyd's Deposit Defence Group. Their campaign might threaten Lloyd's ability to meet claims.

BNF fights cancer test case

British Nuclear Fuels was accused in a civil lawsuit of causing or contributing to the cancer which affected two children whose fathers worked at the Sellafield reprocessing plant in Cumbria. The High Court test case, on which up to 40 other claims may depend, includes allegations that nuclear radiation damaged the fathers' sperm or the mothers' eggs and resulted in genetic injury. BNF is contesting the case, expected to last between six months and a year.

Shake-up of heritage body

English Heritage's plans to shed responsibility for 200 of its 360 historic properties and cut 180 of its 1,600 staff yesterday prompted angry criticism from MPs. The proposals involve selling off 200 properties or turning them over to local authorities or trusts and have already received government approval. Mr Robin Corbett, a Labour opposition national heritage spokesman, criticised the "total secrecy" with which the plans were drawn up and warned some historic monuments would be "doomed to neglect".

N Sea oil terminal fire

A fire at Europe's largest oil terminal, Sullom Voe in Shetland, halved oil production and resulted in the suspension of gas processing. No one was injured. The £400m terminal handles nearly half the UK North Sea oil production.

Channel 5 decisions

The future of Channel 5, the planned new UK national television station, could depend on decisions taken in Milan in the next two weeks. Fininvest, Mr Silvio Berlusconi's media group, is considering taking a stake of between 20 per cent and 30 per cent in the Thames Television bid for the channel. The Italian company has agreed to make up its mind before the middle of next month when the Independent Television Commission will decide whether a licence is to be awarded for the channel.

R&D funding

UK projects winning funding from the European Community increased sharply this year as a result of a Department of Trade and Industry initiative on R&D in computer integrated software.

Out of 235 proposals that were submitted to the EC's European Strategic Programme for Research and Development in Information Technology (Esprit) III programme on computer integrated manufacture and engineering (Cime), 14 projects led by UK organisations and 33 projects involving UK participants were awarded funds by the programme.

MANAGEMENT: THE GROWING BUSINESS

In a Nutshell

Partnerships not prepared for death

Many business partnerships are unprepared for the problems which can arise if a partner dies, falls ill or wants to retire, according to a survey* by London Life, an assurance company.

Sixty three per cent of those interviewed said that in the event of a partner's sudden death it would not be possible to replace their experience quickly, although three-quarters believed the partnership could continue in business.

Nearly two-thirds said their partnership would suffer if a partner became seriously ill but, even so, 70 per cent had made no arrangements to insure against such an event.

Forty per cent of partnerships had no formula to work out the amount of capital which new partners would require to buy into the business, making it more difficult for prospective partners to plan their finances.

The researchers spoke to 300 partnerships.

**Partnership Research. London Life, 100 Temple Street, Bristol BS1 6EA. Tel. 0272 279179. 8 pages. Free.*

UK dependency on short-term finance

Small and medium-sized companies in the UK are far more dependent on short-term finance than their continental European counterparts, according to a survey* by 3i, the venture capital company, and Cranfield School of Management.

Overdraft and short-term finance accounted for 76 per cent of the total finance of British companies. Only 25 per cent of British companies had ever used long-term loans compared with 64 per cent of German companies and between 45 and 53 per cent of companies in France, Italy and Spain.

This dependence on short-term finance meant UK companies are badly placed to weather the recession and explained cutbacks in investment said Paul Burns, director of the 3i/Cranfield Enterprise Centre.

A total of 739 companies responded to the survey.

**Financing Enterprise in Europe. Contact Paul Burns or Sue Oliver, Cranfield. Tel. 0234 751122.*

Charles Batchelor and Lisa Wood examine British plans to establish a business support network

Ending the fragmentation

British politicians and businesses have often cast envious eyes at the way the continental Europeans organise business support – through generously funded chambers of commerce with which businesses are obliged to register.

Starting in April, if the plans of Michael Heseltine, trade and industry secretary, are realised, Britain will start to put in place a business support network which will be at least the equal of its continental partners. It would also end the fragmentation of business support initiatives which have confused and irritated small firms in the past.

What the department of trade and industry (DTI) proposes is a national network of about 200 business centres which would provide a combination of advice from experienced business counsellors and a referral service with more specialised help if this is needed.

Lead role in establishing the new network will go to the 82 English and Welsh Training and Enterprise Councils (TECs), but they will be expected to call on the expertise of their local chamber of commerce, enterprise agency and, in rural areas, business support organisations such as the Rural Development Commission.

The centres have been provisionally labelled "one-stop shops" but the DTI is keen to remove the impression of a low-grade, drop-in service on every high street. One name which has been considered for the new centres is "Business Point," followed by the name of the town in which they are based. They are more likely to be set up on business parks or in the offices of existing business support organisations.

"We are not tinkering about at the edges," commented one person closely involved in the project. "This is not a case of getting the existing services to work better but of achieving a step-change in performance. Business people don't have the time or the inclination to be shuffled around at the inclination of bureaucrats. A simple sign-posting service is not on."

The key staff in the centres will be the "personal business advisers", people with a background in either the commercial sector or public sector business agencies, who will help businessmen and women diagnose their problems. If necessary they will refer their clients to specialist consultancy help, to business databases and to sources of public or private funding.

The business advisers will be trained to a uniformly high standard and the centres will be expected to obtain accreditation to the BS5750 quality assurance standard.

The target market will be established small and medium sized businesses with growth prospects rather than the new start-up.

The one-stop shop proposals are still under discussion in a steering group which includes Gillian Shephard, employment secretary, and representatives of the TECs, the chambers, local authorities and Business in the Community – so their final form is still undecided.

But the DTI plans to publish a prospectus by the end of November and wants bids in from the TEC-led business groups by January. Between 10 and 15 of the new business centres are expected to be operating from April 1 and the national network is planned to be completed within about two years.

This is an ambitious timetable. The DTI says there is a wave of enthusiasm for the idea but implementation will affect many members of the existing business support network.

The chambers of commerce, in particular, are giving them a somewhat nervous welcome. "If a small business can go along to a one stop shop for help why should it then join a chamber?" asks Ronnie Jacobson, public affairs and marketing manager at the London Chamber of Commerce. "This puts us in a very odd position of helping to put ourselves out of business. Why wasn't funding put into the chambers to let them provide a better range of services?"

Graham Ashmore, a director of the Birmingham Chamber of Commerce, is concerned that the one-stop shop programme cuts across the chambers' own Effective Business Support programme to create a core network of 50 chambers meeting a common quality standard.

Even the TECs, which will lead the local partnerships, have their worries. Many have already begun working closely with their local chamber of commerce, enterprise agency and other business organisations and they are keen that the one-stop shop programme should be seen as emerging naturally from these activities rather than as a revolutionary new idea imposed from on high. Birmingham formally launched its own First Step Shop earlier this month in an initiative involving the TEC, chamber, city council and the DTI. "We were working on this long before the government announced its plans," says Christine Parker, the manager.

Not that the DTI programme is the first time that anyone has thought of one-stop shops. The present government launched a pilot network of six "business shops" to provide start-up advice and help with tax and social security problems in 1989. In 1990 the Labour party outlined plans for a "one-stop business service".

Crucial to the success of the new venture is funding. The TECs already face pressure on their budgets and additional demands will be made by the one-stop shop network.

The DTI says it is unable to provide a detailed costing of the new centres, although it estimates the start-up costs over the first two years of each of the pilots could be £500,000, of which £300,000 might need to come from the government.

Some of the running costs may be met by the local authorities and from EC funds, while the centres will also charge for services where appropriate. But it is likely that the TECs will also be expected to commit a substantial part of their budgets to running the one-stop shops. This could be as much as half of the TEC's £80m annual enterprise budget, according to some estimates.

Even if this money can be prised from already stretched budgets, is there strong demand for a new network of advice centres? The DTI view is that small business owners are frequently too busy solving immediate problems – particularly in the middle of a recession – to realise their own long-term needs.

Others disagree. Some specialists believe that small businesses would rather be relieved of the burdens placed on them by government – red tape, tax administration – than have these forms of assistance.

Stan Mendham, chief executive of the Forum of Private Business, queries whether small business needs what he sees as yet another level of business support on top the existing organisations. "When will the government learn to use what is there?" he asks.

There is certainly a case for asking why the government should now be seeking to create a uniform, national network of business support so soon after abolishing another centrally organised and nationally known agency, the Small Firms Service. This was taken over by the TECs, each of which adopted a new label for the service and a new method of working.

The DTI acknowledges that it is being prescriptive in setting a general framework for the new network but says that local business organisations will determine the detail.

It believes that the new network will provide a quality of business support equal to or better than that available from the continental chambers of commerce – without adopting the continental model of compulsory registration for all businesses. A network which avoided compulsion, deeply repugnant to government and most business organisations, could create a new, much needed British model of small business support.

Ashley Ashwood

First steps: Christine Parker, manager of Birmingham's newly-launched First Step Shop

Planning on a good impression

Most business plans are not very good, says Brian Finch, in the introduction to his guide* to the subject of making business proposals.

This is hardly surprising since most business people will usually produce only one or two in their careers.

Start with a short, preferably one-page introduction, Finch suggests. You have only a few minutes to make a good impression and by the time the reader has finished the summary, you have either won or lost.

The summary should be written after you have written the rest of the business plan because it must tell the whole story of what you are proposing. Establish why you are writing the plan. Is it to raise finance, to help sell the business or as a general management aid?

Never use jargon. Your plan may be passed on to non-specialists and even the expert appreciates ideas being expressed in plain English.

Make it easy to read, says Finch, a corporate finance associate with London-based accountants Blackstone Franks. The plan may be the most important thing in your life but it does not have the same importance for your potential readers. So if the plan is more than three or four pages long put in an index. Number the pages and use a clear type face with plentiful spacing.

Remember you are telling a story so the narrative must flow. Do not devote too much time to particular aspects such as the history of the company or your personal details in the main text. But at the same time do not assume the reader knows how your company or its market place work.

Your readers will expect that you have put a positive gloss on your achievements but do not try to deceive them by forgetting to mention, say, pending litigation.

Any deal will depend on trust so be careful not to destroy that at the outset. Investors also have legal redress against directors who misrepresent matters.

Do not leave it too late to present your business plan. Financial backers tend to distrust people who want an immediate answer.

CB

**Business Plans: 25 Ways to Get Yours Taken Seriously. Kogan Page. 86 pages. £5.99.*

SUS Holdings Plc
Megatex Limited
Eurolan Limited
SUS Computers Limited

(All in Administrative Receivership)

The Joint Administrative Receivers offer for sale the whole of the issued share capital of Technical Engineering and Maintenance Plc ("TEAM Plc"), Computerent Plc and Technology Procurement Incorporated, and the businesses and assets of the above companies which are in administrative receivership:

Team Plc

- A renowned hardware maintenance and disaster recovery company. The company offers all aspects of technical support and consultancy, including computer hardware and software support.
- Based at Walsall, West Midlands with five company sites throughout the UK.
- Turnover approximately £4.2 million.
- Approximately 67 employees.

SUS Computers Limited and Megatex Europe Limited

(Both in Administrative Receivership)

- Authorised DEC dealers and major independent suppliers of new and ex-rental DEC equipment and compatibles.
- Based in freehold premises at Walsall, West Midlands.
- Combined turnover approximately £18 million.
- Approximately 25 employees.

Eurolan Limited

(In Administrative Receivership)

- Management of the entire installation of all network types incorporating consultancy, design and installation, project management and maintenance.
- Turnover approximately £0.75 million.
- Approximately 3 employees.

Computerent Plc

- Lessor of DEC equipment to Blue Chip UK companies.
- Turnover approximately £1 million.

Technology Procurement Incorporated

- Fast growing supplier of VAX systems and peripherals in USA.
- Located in Danvers – Boston, USA.
- Turnover approximately $8.5 million.
- Approximately 25 employees.

The Joint Administrative Receivers will only consider offers from a single purchaser for the whole of the issued share capital of TEAM Plc, Computerent Plc and Technology Procurement Incorporated.

For further information please contact David Lovett or Simon Allport, Arthur Andersen, 1 Victoria Square, Birmingham, B1 1BD.
Tel: 021-233 2101. Fax: 021-643 7647.

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Harland Simon Group PLC

(In Administrative Receivership)

Following the appointment of Nick Lyle and Roger Powdrill as Joint Administrative Receivers of Harland Simon Group PLC, there are being offered for sale the operations of the Group which specialise in the design, manufacture and installation of drive and process control systems, manufacturing automation systems, Press Control and image processing systems. The major components of the Group are:

☐ ***H S Control Systems Limited and Cortina Limited***
- Market leaders in the design, manufacture, sale and installation of drives and control systems, principally to the newspaper, paper and metals industries.
- Turnover approximately £17 million per annum.
- Operations located in UK and USA.

☐ ***Harland Contraves Limited***
- Design and distribution of electronic drives and systems used in motion and process control applications across a number of industrial markets. Located in UK, Italy, Germany and Switzerland with an extensive agency network.
- Turnover approximately £23 million per annum.

☐ ***H S Automation Systems Limited***
- Design, manufacture and installation of bespoke automation solutions for the automotive, materials handling and food and beverage industries.
- Turnover approximately £17 million per annum.

☐ ***Harland Bauteil Limited***
- Major supplier of controls for the oil, water, paper and gas industries.

☐ ***Harland Crosfield Limited***
- International market leader in design, manufacture and installation of advanced print register control products to the printing industry.
- Turnover approximately £11 million per annum.
- Located in UK, Italy, France, Germany and USA together with an extensive distributor network.

For further information, please contact Paul Holden or Nick Edwards at the address below or telephone 0908 690022.

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Norman Rollo (Motors) Limited

The Receivers offer for sale as a going concern the business and assets of this well established Fife and Clackmannanshire motor dealership.

☐ Turnover of approximately £5 million.
☐ New and second hand car sales in excess of 600 units.
☐ Above average performance for this marque of dealership.
☐ Excellently situated, recently built freehold premises comprising showroom, workshop and offices in Kirkcaldy, Fife.
☐ Refurbished satellite showroom, workshop and offices in leasehold premises in nearby Dunfermline.
☐ Experienced sales, service and office staff.

For further details, please contact either Robin Wilson or Roy Russell at the address below.

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B & F Carter (Engineering) Ltd

(In Administrative Receivership)

The Joint Administrative Receivers, G. J. Watts and K. S. Chalk, offer for sale the business and assets of the above company situated in Bolton.

The company is a bespoke manufacturer of gears, gear boxes and wire extrusion machinery.

The main features are:
☐ Substantial current order book.
☐ Current turnover some £3 million.
☐ Freehold site of some 3 acres.
☐ Experienced workforce.

For further information please contact K. S. Chalk or Bill Dawson at the address below.

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Gelfer Limited
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The Joint Provisional Liquidators, R. A. Powdrill and D. C. Griffith of Touche Ross & Co. and D. Nisbet of Halpern and Woolf, offer for sale the business and assets of Gelfer Limited and Dennes Scotland Limited which manufacture headwear and ties respectively from premises based in Glasgow.

☐ One of the few headwear manufacturers in the UK.
☐ Established blue chip customer base for both businesses.
☐ Combined turnover of £3.2m.
☐ Experienced workforce.
☐ Trading from recently refurbished leasehold premises in Glasgow.

For further information please contact D. Campbell Griffith or Robin Foster at the address below.

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Touche Ross

EDL (Packaging Systems) Limited

(In Administrative Receivership)

The Joint Administrative Receivers offer for sale the business and assets of the established design, manufacturing and commissioning facilities operating from prestigious freehold premises in North Devon.

☐ Turnover in excess of £3 million per annum.
☐ Range of standard and bespoke packaging machinery.
☐ Substantial spares and service division.
☐ Firm and potential order book in excess of £1.5 million.
☐ Freehold factory and offices extending to 51,000 sq ft.
☐ Extensive inventory of plant and machinery.
☐ Skilled and experienced workforce.
☐ Profitable USA sales and service division.

For further information, please contact Roger Pearce or David Bird, the Joint Administrative Receiver, at the address below.

Deloitte Touche Tohmatsu International

Queen Anne House, 69/71 Queen Square, Bristol BS1 4JP.
Tel: 0272 211622. Fax: 0272 292801.
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ETHNIKI KEPHALEOU S.A.
ADMINISTRATION OF ASSETS AND LIABILITIES
REPEAT CALL TO TENDER FOR THE HIGHEST BID

"ETHNIKI KEPHALEDU S.A. Administration of Assets and Liabilities" of 1, Skouleniou Street, Athens, Greece in its capacity as special Liquidator of "Viovalve S.A. - Cast Steel Thessaloniki according to the provisions of article 46a of Law 1892/1990 (as supplemented by article 14 of Law 2000/1991), appointed by virtue of the decision No 2019/1992 of Thessaloniki Court of Appeal.

ANNOUNCES A REPEAT CALL

for the highest bid with sealed binding offers for the sale, in toto of the Assets of the Company "Viovalve S.A. - Cast Steel Thessaloniki" with head office in Thessaloniki (the Company") described in detail in the OFFERING MEMORANDUM of July 1992.

ACTIVITY AND BRIEF DESCRIPTION OF THE COMPANY

The Company was founded in 1975 with head office in Thessaloniki, and operating until the end of 1980. Then, it was declared in bankruptcy and until the end of 1986, when it was subject to the special liquidation provided by article 7 of Law 1386/1983, was involved in the industry products of water works and irrigation made from cast iron (valves, wells, e.t.c.).

The Company owns a factory which has been out of operation since 1986. Located on a 16,497 m² terrain at the 18th km of the highway of Thessaloniki-Verria, containing buildings, machinery and other equipment, furniture, ready-made products, as well as an electric power substation.

The Company also owns land of 10,312 m² in Agios Athanassios, Thessaloniki.

CONDITIONS OF TENDER

1. For this purpose, interested parties are invited to request from the liquidator the Offering Memorandum as well as the draft of a letter of Guarantee and submit a sealed binding offer to the Thessaloniki notary public responsible for the invitation to tender Mrs Mary Kolydaki-Spanou, 3 Iktinou str.(3rd Floor), tel 30-31-273598 up to 23rd November 1992 at 12.00 hours. The submission of the offers must be made in person or by legally appointed representative

2. The offers will be unsealed before the above mentioned notary public on 23rd November 1992 at 13.00 hours in the presence of the liquidator and all persons who have submitted offers within the prescribed time limit. Offers submitted after the prescribed time limit will not be accepted and will not be taken into account.

3. The sealed binding offers must clearly indicate the offered price for the purchase, in toto, of the Company's Assets (as it is described in the OFFERING MEMORANDUM and the means of settlement, while the payment will not be dependent on any terms or conditions whatsoever and must be accompanied by a 6 months due, letter of guarantee issued by a bank legally operating in Greece, amounting to thirty million(30.000.000) DRA.

   In the event that the bidder, to whom the Assets of the Company have been sold, does not abide by his obligation to appear and sign the relative sales contract within thirty (30) days from being invited to do so by the liquidator, and to carry out the obligations resulting from the present invitation, then the above mentioned guarantee of thirty million (30.000.000) DRA will be forfeited in favour of the liquidator "ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities".

   Guarantees deposited for participation in the tender will be returned to the other participants, after the adjudication of the tender, and to the highest bidder of the tender after the completion of the procedure of article 46a of Law 1892/90.

4. The highest bidder is the one, whose offer was judged by the liquidator and approved by 51% of the creditors as being in their best interests.

5. The liquidator is in no way liable and has no obligation towards participants in the tender, either with respect to his evaluation report of the offers, which he will submit to the creditors, or in regard to his proposal evaluating the highest bidder. Also, he is under no liability or obligation to those participating in the tender in the event of its cancellation or resumption, if the result is considered unfavourable by the creditors.

6. Those taking part in the tenders and submitting offers will not acquire any right or claim, deriving from the present and from their participation in the tender against the liquidator and the creditors for any reason.

7. The transfer expenses (as defined by article 46a of Law 1892/1990) will be borne by the buyer.

8. The delivery of the goods offered for sale will take place at their present location.

9. "ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities" has no responsibility whatsoever for either incomplete or inaccurate description of the Assets of the Company "Viovalve S.A. Cast Steel Thessaloniki", or for any actual or legal defects.

10. For further information or for obtaining the Offering Memorandum, as well as the draft of the letter of Guarantee please apply to:

a. The head Office of
ETHNIKI KEPHALEOU S.A.
Administration of Assets and Liabilities,
1, Skouleniou str.
10561 Athens, Greece
(Mr. Peter Dracopoulos)
Tel:+30-1-3231484-87
Fax: +30-1-3217905

b. The liquidator's agent Mr.
Achilles K. Pilidis
54, Tsimiski str.
(6th Floor, office No 62)
54623 Thessaloniki, Greece
tel: +30-31-281226 and +30-31-220353

HELIPORT in MARBELLA

The owner offers for sale the business, licences, property and other assets of the only Heliport in Marbella, Spain.
Contact: Fax: +44 71 794 6275

West Germany Piano Manufacturer

International brand name.
The owner offers for sale the business and assets of the company.
Contact: Fax: +44 71 794 6275

West Germany Private German Bank

All Licences, Profitable.
The owner offers for sale this established old bank.
Contact: Fax: +44 71 794 6275

GREEK EXPORTS S.A.
INVITATION

for expressions of interest in purchasing the assets of
HELLENIC MEAT INDUSTRY (ELVIK) S.A.

In application of the government's denationalisation policy and on the basis of *Law 2000/91*, GREEK EXPORTS S.A., a subsidiary of the HELLENIC INDUSTRIAL DEVELOPMENT BANK (ETBA) S.A. based in Athens (17 Panepistimiou Street) has been appointed liquidator by decision No. 937/1992 of the Larissa Court of Appeal and intends to sell, through the procedure of article 46a of Law 1892/1990, as supplemented by article 14 of Law 2000/91, the total assets of the HELLENIC MEAT INDUSTRY (ELVIK) S.A. based at Megala Kalyvia in the Department of Trikala in which ETBA S.A. has a 33.33% share, the AGRICULTURAL BANK OF GREECE a 33.33% share and Agricultural Cooperatives a 33.33% share.

The HELLENIC MEAT INDUSTRY was founded in 1968 in Athens with a life span of 50 years. From 1973 to 1976 the company has been under liquidation. It was revived on August 18, 1976 and has been operating under its present name since August 16, 1977. It has a pork breeding and an industrial meat unit installed on a self-owned site of 819,000 sq. metres.

ELVIK S.A. is a fully vertical unit for the production of pork meat and sausages and is active in the production of animal feed, pork meat, meat by-products, sausages, slaughtering *and meat trading and slaughtering services for* third parties.

Primary production includes the following products: maize for its own use, wheat which is sold as seed grain, soya beans which are sold and milled products for animal feed.

Secondary production *includes products processed from pork meat,* slaughtering services and sausage-making products. Slaughterhouse by-products are also produced as well as industrial fat in liquid form. Finally, pork *meat and small quantities of other meat are traded.*

FINANCIAL DATA
(in thousand drachmas)

	1988	1989	1990	1991
Total Assets	919,963	914,940	825,512	683,055
Total Sales	1,046,738	1,129,557	1,179,971	1,073,387

Note: The above financial data are derived from published balance sheets.

DENATIONALISATION PROCEDURE

I. Within 20 (twenty) calendar days from publication of the present invitation, *interested buyers must submit a binding, written declaration of interest,*

II. Potential buyers, after having promised in writing to maintain confidentiality, can receive the Offering Memorandum and have access to other information concerning the enterprise for sale.

III. The announcement of a public auction for the highest bid will be published *within the prescribed time limits and in the same newspapers:-*

For any additional information please apply to:

a) The head office of ETBA S.A.
Directorate of Participations
87 Syngrou Avenue, 2nd floor, tel. (01) 929.4395 and 929.4396
and
b) GREEK EXPORTS S.A.
17 Panepistimiou Street, 1st floor, Tel. (01) 324.3111-115

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A beautiful late 18th Century country house hotel with planning permission for 62 letting bedrooms

10 en suite letting bedrooms
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Cellar restaurant
16½ acres of mature gardens and parkland

Currently not trading

£500,000 for the valuable freehold interest

Subject to contract

Ref: DMG :vZ

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NATIONAL DRILLING AND BLASTING CONTRACTORS

Peak Drilling Holdings Limited
Peak Drilling Services Limited
Peak Drilling Limited
Hardy Taylor Plant Hire Limited

The Joint Administrative Receivers offer for sale the business and assets of the Peak Drilling Group.

Principal features of the business include:

- well established group with long term drilling and blasting contracts, located in North-West England, South Wales, and Scotland
- turnover *£2.5M* (approximately *20%* + of UK market) with 40 employees
- leasehold premises at Spitewinter, near Chesterfield
- substantial quantity of specialised plant and equipment.

For further details, please contact Jill Howsam at Cork Gully, Cumberland House, 35 Park Row. Nottingham NG1 6FY. Telephone: (0602) 470658. Fax: (0602) 410192.

Cork Gully is authorised in the name of Coopers & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on Investment Business

Cork Gully

INVITATION TO TENDER FOR THE HIGHEST BID
for the Purchase of the Assets of "TEMEA TECHNIKI S.A. STUDIES, CONSTRUCTIONS AND INSTALLATIONS", of Piraeus, Greece.

"ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities" of 1, Skoulenion Street, Athens, Greece, in its capacity as Liquidator of "TEMEA TECHNIKI S.A. STUDIES, CONSTRUCTIONS AND INSTALLATIONS", *a company having its* registered office in Piraeus, Greece (the "Company"), which is presently under the status of special liquidation according to the provisions of article 46a of Law 1892/1990,

invites tenders

for the highest bid by submission of sealed binding offers for the purchase by public auction (the "Auction") of the assets of the *Company, as a single whole.*

BRIEF INFORMATION: The Company was founded in 1961 and until 1990 (when it was first declared under liquidation in *accordance with Law 2190/1920) was engaged in the manufacturing* and trade of machinery, calender mills and mechanical constructions and with the study and surveillance of mechanical and electrological works. The Company's operations ceased in 1991 and no personnel is currently employed. Assets include one plant in Piraeus built on a 863m² plot with mechanical equipment, vehicles, furniture etc.

OFFERING MEMORANDUM – FURTHER INFORMATION: Interested parties may obtain an Offering Memorandum in respect of the Company and the assets thereof and any further information, upon execution of a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTION

1. The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990, the terms and conditions set forth herein and the "Terms and Conditions of *Sale*" contained in the *Offering Memorandum. Such provisions and other terms* and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions.
2. Binding Offers: For the participation in the Auction interested parties are hereby invited to submit binding offers, not later than the 23rd November 1992, 12.00 hours, to the Piraeus Notary Public, Mrs Charikleia Amorati, address: 53, Filonos Str., Piraeus 185-35, tel: +30-1-412.68.73. Binding offers submitted later than the prescribed time limit, as referred to hereinabove, shall neither be accepted nor considered. The offers shall be binding until the adjudication.
3. Letters of Guarantee: Binding offers must be accompanied by letters of guarantee, for an amount of drs twenty five million (25,000,000), issued, in accordance with the draft form of letter of guarantee contained in the Offering Memorandum, by a bank legally operating in Greece, to be valid until the adjudication. Letters of guarantee shall be returned after the adjudication. In the event of non-compliance with the provisions and other terms and conditions referred to in paragraph 1 hereof, the letters of guarantee shall be forfeited as a penalty.
4. Submissions: Binding offers together with the letters of guarantee shall be submitted in sealed envelopes. Submissions shall be made in person or through a duly authorised agent.
5. Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in her office, on the 23rd *November 1992, at 13.00 hours. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed* attesting the unsealing of the binding offers.
6. As highest bidder shall be considered the participant whose offer will be judged, by the 51% of the Company's creditors (the "Creditors"), *in their absolute discretion, upon suggestion of the liquidator, to be in the best interestes of all of the creditors of* the Company.
7. The liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the *contract of sale in accordance with the terms contained in his binding offer* and/or any other improved terms which may be suggested by the Creditors and agreed upon. Adjudication shall be deemed to take effect upon execution of the contract of sale.
8. All costs and expenses of any nature in respect of the participation and transfer of the assets offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.
9. The Liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings and the making of the Auction. The Liquidator and the Notary shall have no liability for any legal or actual defects of the assets. *Submission of binding offers shall not create any right for adjudication* nor the participants shall acquire any right, power or claim from this invitation and/or their participation in the Auction against the Liquidator and/or the Creditors for any reason whatsoever.
10. This invitation has been drafted in Greek and translated in English. In any event the Greek version shall prevail.

For obtaining the Offering Memorandum and for any further information please apply to the Liquidator of the Company: "ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities", address: 1, Skoulenion Street, 105 61 Athens, Greece. Tel: +30-1-323.14.84, fax: +30-1-321.79.05 (attn: Mr. Peter P. Dracopoulos) or the Liquidator's agent: Mr. John Pitsios, address: 19-21, Arachovis Str., Athens 106 80, tel.: +30-1-360.13.24 (from 10.00 to 12.00)

INSURANCE BROKERAGE established 22 years, commission approx. £100,000. Based in West End. Owner retiring. Offers to Box No. A4450, Financial Times, One Southwark Bridge, London SE1 9HL

CREATIVE PARTNERS LIMITED
(Formerly The Rodley Group Limited)

The Joint Administrative Receivers, Gary Blackburn and George Stein, offer for sale the business and assets of the *above graphic designers and photographic studio.*

Principal Features Include:-

- Freehold premises known as Rodley Studios, totalling 12,500 sq. ft. based in Rodley, Leeds, on a site of approximately half an acre
- The refurbished premises include three purpose built drive-in photographic studios
- Turnover approximately £1 million per annum
- Order book of approximately £300,000
- Highly skilled staff of 12

For further details please contact:-
Gary Blackburn FCA,
Joint Administrative Receiver,
Kidsons Impey,
Barclays House,
41 Park Cross Street,
Leeds LS1 2QH
Telephone 0532 422666
Fax. 0532 422038

KIDSONS IMPEY
Chartered Accountants

The BODY SHOP

OUTSTANDING RETAIL OPPORTUNITY
CENTRAL LONDON

A multi-shop franchisee of the Body Shop is considering *making available for sale one of their Central London* Franchise Areas with its two existing shops.

These shops are trading at a substantial profit despite the current recession and expect to maintain that level throughout the current year.

Any disposal will only be made to parties who can clearly demonstrate that they have the ability to maintain and continue to develop the principles of The Body Shop and the successful growth of those UK shops.

Serious enquiries from genuine buyers (principals only) should be made to:

Mr. Raymond Gross
RAYMOND GROSS & PARTNERS
Chartered Accountants
3rd Floor, Lloyds House,
18 Lloyd Street, Manchester M2 5WA.
Tel: 061 834 0565 Fax: 061 839 0218

Industrial & Safety Equipment Manufacturer

Wellingborough, Northamptonshire

The Joint Administrative Receivers of Hibass (Photomec) *Limited offer for sale the business and assets as a going* concern.

The company specialises in two areas of manufacturing:

- Infra-red machine gauge system equipment.
- Specialist equipment for the printed circuit industry.

Salient features include:

- Turnover £1.5 million.
- Established product and customer base.
- Skilled workforce.
- Leasehold premises
- Existing order book.

For further information contact Myles Halley, Joint Administrative Receiver, KPMG Peat Marwick, Spencer House, 1 Clifftonville Road, Northampton, NN1 5BU. Telephone: (0604) 34480. Fax: (0604) 32297

KPMG Peat Marwick

GREEK EXPORTS S.A.
INVITATION

for expressions of interest in purchasing the assets of the Maritime Ironworks NAFSI S.A.

In application of the government's denationalisation policy and on the basis of Law 2000/91, GREEK EXPORTS S.A., a subsidiary of the HELLENIC INDUSTRIAL DEVELOPMENT BANK (ETBA) S.A., based in Athens (17 Panepistimiou Street) has been appointed liquidator be decision No. 1208/1992 of the Piraeus Court of Appeal and intends to sell, through the procedure of article 46a of Law 1892/1990, as supplemented by article 14 of Law 2000/91, the total assets of MARITIME IRONWORKS NAFSI S.A., based in Piraeus at 34 Methonis Street, in which ETBA S.A. has a 95.89% share, with the balance owned by various others.

The Maritime Ironworks NAFSI S.A. was founded in 1985 following the merger of the joint-stock companies NAFSI S.A. and MIHANOURGIKI S.A. and is engaged mainly in the building, repair, conversion and breaking of ships and other craft and in all types of machine shop works.

The company's productive activity is carried out at its installations on premises rented from the Piraeus Port Authority at Perama, in Attica, in an area of 16,040 sq. metres of which 8,440 sq. metres are covered and the remainder in open working and storage areas. There is the possibility of renting further space if circumstances make it necessary.

The company has a self-owned industrial building in Piraeus of 1,195 sq. metres at 34 Methonis Street.

FINANCIAL DATA
(in million drachmas)

	1988	1989	1990	1991
Total Assets	1,067	1,060	1,872	1,397
Total Sales	3,350	1,898	832	1,778

Note: The above financial data were derived from published balance sheets.

DENATIONALISATION PROCEDURE

I. Within 20 (twenty) calendar days from publication of the present invitation, interested buyers must submit a binding, written declaration of interest,

II. Potential buyers, after having promised in writing to maintain confidentiality, can receive the Offering Memorandum and have access to other information concerning the enterprise for sale.

III. The announcement of a public auction for the highest bid will be published within the prescribed *time limits and* in the same newspapers.

For any additional information please apply to:

a) The head office of ETBA S.A.
Directorate of Participations
87 Syngrou Avenue, 2nd floor, tel. (01) 929.4395 and 929.4396 and
b) GREEK EXPORTS S.A.
17 Panepistimiou Street, 1st floor, Tel. (01) 324.3111-115

FARM AND EQUESTRIAN CENTRE ESTATE

The estate covers some 87 acres in one of the most beautiful areas of the country within 15 miles of the centre of London. The farm house is 17th century *which is covered by a preservation order. The major feature of the* estate is the fully licensed Equestrian centre with national standard facilities for all Equestrian events. The estate is being sold freehold and the *farm and Equestrian centre as a business are highly profitable.*

Stanlawn Investments Ltd, 31 Canons Hill, Old Coulsdon, Surrey CR5 1HB

FIELD SALES PROMOTION COMPANY

Due to retirement this successful, well established and very profitable Company providing leading FMCG Manufacturers/Distributors with high quality field services; contract sales representation, merchandising, in-store activity; is for Sale. Interested Principals should write to: Ref. HGM Business Partners International, 53-54 Haymarket London SW1Y 4RP (no callers).

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- High Quality Architectural Wall Cladding Panel System.
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- Current Specification Listings.
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West Germany
Manufacturer of Rubber Hoses, Fire Hoses, High Pressure Hoses, Sockets, Nipples,

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Contact: Fax: +44 71 794 6275

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Turnover DM70m, profitable. For Sale.
Contact: Fax: +44 71 794 6275

West Germany Leading Chemical Manufacturer

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Contact: Fax: +44 71 794 6275

West Germany Leading Manufacturer of Soaps, Detergents, Cosmetics.

Turnover DM250m. For Sale.
Contact: Fax: +44 71 794 6275

COMMUNICATIONS COMPANY

Trading for 8 Years.
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Owner Prepared to Stay On.
For Further Details Fax: 0872 573955

TRAVEL AGENCY PRIVATE PLC. ABTA/IATA Offered for sale fully operational. Est 9 years. Adj. City of London. T/O approx £2m. Write to Box A4437, Financial Times, One Southwark Bridge, London SE1 9HL.

VIDEO TAPE WINDING BUSINESS for sale. Well established with latest equipment. Secure lease, for further details write to Box A4560, Financial Times, One Southwark Bridge, London SE1 9HL.

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OXFORDSHIRE

The business and assets of
Carterton Security Services Limited (In Administration)
are offered for sale as a going concern.

Static guards, mobile patrols, courier services, central alarm monitoring and keyholding

Annual turnover approximately £600K

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For further details contact the Administrator:
Clive Everitt, Shaw & Company, 195 Banbury Road, Oxford OX2 7AR.
Tel: 0865 310031 • Fax: 0865 310025

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FOR SALE

RECRUITMENT CONSULTANCY
(Temporary and permanent staff for office, catering, industrial and domestic placings)

- Profitable
- T/o £500,000
- Cash generative
- Blue chip customer base
- London location

For further information contact:
David Ileam
Pannell Kerr Forster
New Garden House
78 Hatton Garden
London EC1N 8JA
Tel: 071 831-7393
Fax: 071-405 1475

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CHARTERED ACCOUNTANTS

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Show-Wood Chair Manufacturer

The Joint Administrative Receivers of Joynson Holland and Company Limited offer for sale as a going concern the business and assets of this company established since 1883.

- Manufacturing Show-Wood furniture for a niche market
- Supplying multiple retail outlets including well known names
- Producing 1200 seats per week from premises in High Wycombe
- Turnover approximately £6m p.a.
- Room for expansion
- 110 employees

For further information, please contact the Joint Administrative Receivers
Neil Cooper and Ipe Jacob

ROBSON RHODES

186 City Road, London EC1V 2NU
Telephone: 071-251 1644 Telex: 885734 Fax: 071-253 4629
Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

Precision Engineers

The Joint Administrative Receivers of Aerocomponents Limited offer for sale as a going concern the business and assets of this precision engineering company based in Buckinghamshire.

- Precision engineers to defence and aviation industries
- AQAP 4, CAA approved
  BS 5750 currently being assessed
- Sub contract work and Government, blue chip and airline customers
- Turnover approximately £700,000 p.a.
- 9 skilled employees

For further information, please contact the Joint Administrative Receivers
Neil Cooper and Ipe Jacob

ROBSON RHODES

186 City Road, London EC1V 2NU
Telephone: 071-251 1644 Telex: 885734 Fax: 071-253 4629
Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

The Marine Club Leadenhall Street City of London

The Joint Administrative Receivers of Skeesham Limited, G S Kinlan and P R Copp, offer for sale as a going concern the business and assets of this long established and respected private luncheon club situated adjacent to the Lloyds Building in the heart of the City.

- Leasehold with 63 years remaining – rent of £395 pa with no reviews
- 3 Restaurants (200 covers) and separate bars, in all about *6000 sq. ft with quality furniture and fittings* throughout
- Some 2,500 members
- Turnover to 31/12/91 of £1.043m

Interested parties should contact P Bartrop of the Receivers' sole agents, Messrs Robert Barry & Co, 7 Upper Grosvenor Street, Mayfair, London W1Z 9PA. Tel: 071-491 3026, Fax: 071-629 9373.

STOY HAYWARD Horwath

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Excellent existing management require equity investment *to carry out further property acquisitions*

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BUSINESS LAW

Avoiding the arbitration trap

By Andrew Armfelt

As the third-world debt crisis begins to show signs of ending, needed capital - *much of it in the form of direct* foreign investment - is returning to Asia, Latin America and Africa.

In the rush to attract foreign *business, developing countries* risk repeating the errors of the past. One such error has been to underestimate the importance of the method selected *for resolving* international business disputes.

Many transnational corporations remain unwilling to make direct investments in smaller and poorer countries if those investments would require the company to take its *disputes to the local courts.* Rightly or wrongly, there is a strongly held belief that trust in the impartiality of courts in developing nations is too great a risk.

The parties often agree to shift disputes to a neutral *forum, which frequently means* international arbitration under the auspices of private organisations based in developed countries, such as the International Chamber of Commerce and American Arbitration Association.

Arbitration is designed to offer a neutral, expeditious and relatively simple method of resolving business disputes. In many domestic contexts, and some international settings, arbitration accomplishes these goals and provides a means of *dispute resolution that is superior* in important respects to judicial processes.

From the perspective of developing nations and their *companies, however,* the fairness and benefits of international arbitration are often questionable.

The principal areas in which third-world parties can be disadvantaged are selection of arbitrators, forum, cost, and *access to and supervision of* legal representatives. Lurking in the background are fundamental issues of national and international policy, under which arbitral awards are increasingly exempted from meaningful judicial review, even when awards violate fundamental norms of domestic public policy.

Ordinarily both sides appoint one arbitrator and the two arbitrators, or an arbitral institution, appoint the chairman. There is an understandable *tendency on the part of parties* to appoint a national as their arbitrator. Unfortunately for parties from the third world, unless their nominee is some*one of international stature,* their interests tend to be poorly served by a national who is unfamiliar with the workings of international arbitration.

If their nominee is seen to lack the stature of the other members of the panel, or seen to be partial, he will be ignored by the chairman. As a result, ordinarily the third-world client's interests will be best *served by appointing a European.*

The odds are that if the con*tract specifies the law of a* developed country, the chairman will be someone from that legal system or from a very similar legal culture.

By contrast, if the contract specifies the law of the developing country, it is unlikely that someone from that country will be selected. The result is that the panel is likely to be dominated by persons unfamiliar with the law of the developing country.

Unless the contract has a forum-selection clause specifying otherwise, which is rarely the case, ICC and AAA arbitrations are conducted in developed states, often London, Paris or Switzerland.

The choice of a developed forum has a large number of consequences, none of them favourable to litigants from less developed countries.

Even assuming the parties have selected the substantive law of the contract, the procedure will be determined by the arbitrators, who will routinely turn to the law of the forum.

In the case of a lengthy arbitration, the selection of a *developed forum can impose* large costs on the parties in terms of paying for the hearing room, housing of lawyers, parties and arbitrators, over and above the already high costs of lawyers who charge at the market rates in European capitals or the United States.

These costs have to be paid as the matter progresses, which may put a strain on a party that lacks easy access to large quantities of foreign exchange. To these must be added the arbitrator's fees.

The fact that the panel will be dominated by Europeans means that the case will have to be presented in a European fashion, by counsel experienced in the procedures of the forum. The tribunal is likely to expect extensive research on the law and tidy presentation of the facts.

*While the developing coun*try litigant can hire equally experienced outside counsel, at a price, their work must still be monitored by inside lawyers and executives who are unlikely to have the same amount of relevant experience as their transnational counterparts.

There are no authoritative statistics on international arbitration results, owing to the confidential nature of arbitration. Nonetheless, anecdotal evidence indicates that inter*national arbitrators have* tended to decide in favour of transnational corporations.

More fundamentally, international arbitration is premised on a *distrust* of developing countries and their courts. It is characterised by a more informal approach to so-called legal technicalities. As a result, even a solid claim or defence based on a formal reading of a contract will not necessarily prevail, introducing costly uncertainty as to the likely result.

International arbitration converts disputes with significant legal, regulatory and policy *dimensions into purely private* contractual disagreements. Courts, whose duty it is to administer justice pursuant to law and policy, are replaced with private arbitration panels that often see their mission as merely to settle disagreements *in accordance with "general"* legal principles and prevailing business practices that favour transnational corporations.

This type of private justice *inevitably* ignores the legitimate regulatory interests of concerned states. The confidential nature of most arbitrations further impedes the enforcement of regulatory protections in both developed and developing states.

The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards could mitigate the potential bias inherent in international arbitration. In particular, the convention reintroduces broader concerns of justice by empowering local courts to deny enforcement of international arbitral awards that are rendered contrary to "public policy".

Unfortunately, courts in many developed countries have employed an exceedingly narrow reading of "public policy" - indeed more narrow than the *interpretation* of the same language in the relevant domestic context. And, courts in developing countries, when confronted with international arbitral awards, have often followed the lead of the developed countries by enforcing arbitral awards.

This has deprived the public policy safeguard to the private *arbitral process of* any real meaning, and threatens the legitimate regulatory policies of both developed and developing countries. What should be a meaningful review of arbitral awards has come to resemble a rubber stamp.

Courts charged with enforcing arbitral awards could restore the balance between private dispute resolution and public adjudication envisaged *by the New York Convention.* Meaningful review of arbitration awards by enforcing courts would facilitate international commercial transactions and capitalise on the advantages of arbitration while avoiding the arbitration trap.

Meanwhile, however, there has been a growing tendency in certain of the more well-off developing countries to insist on local arbitration, with even the express right to appeal to local courts.

This attempt to redress a real or an alleged imbalance by merely tilting the table in one's own direction is clearly a backward step. The only real solution to the problem will be found in the true internationalisation of arbitration.

The author is an Avocat à la Court de Paris, a solicitor and partner of the Paris and London law firm Veil Armfelt et Associés.

PEOPLE

John Toulmin elected president of CCBE

John Toulmin QC has been elected president of the Council of the Bars and Law Societies of Europe (CCBE) at its autumn meeting in Lisbon. He is the first English lawyer to hold the office and only the second from the UK. The first was Judge David Edward, the British judge at the European Court of Justice in Luxembourg.

Toulmin has been active in the CCBE since 1984 when he represented the English Bar on the UK delegation. Between 1987 and 1990 he was leader of the UK delegation and was elected CCBE vice-president last year.

He has been at the forefront of efforts by the CCBE to adopt a draft directive on lawyers' rights of establishment within the European Community. The directive was finally passed at the Lisbon meeting this weekend bringing to an end 17 years of negotiation between the members of the Council. The draft directive will now be sent to *the European Commission* in Brussels which has indicated that it will view it favourably.

Toulmin, 51, was educated at Winchester and Trinity Hall, Cambridge, and called to the Bar in 1965. He is also a member of the Irish Bar and the Bar of Northern Ireland.

He is a former chairman of the Young Barristers and member of the Bar Council and a former governor of the Maudsley Hospital in London. He is currently a member of the Consultative Committee to the European Court, member of *the Committee of Management* of the Institute of Psychiatry and a trustee of Pro Corda, the national association for young string players.

Peter Woods quits Fisons

Peter Woods has resigned as director of corporate affairs at Fisons.

His departure is the latest change in senior management at the troubled pharmaceutical company following the abrupt resignation of the chairman, John Kerridge, in January. Fisons has failed on several occasions in the past two years to obtain approval from the US authorities for the sales of some of its products, in spite of many hints that approvals were imminent.

Woods, who trained as a doc*tor, had* been with the company for three years after a career as a pharmaceuticals investment analyst with Barclays de Zoete Wedd and SG Warburg. He had been headhunted to the City from healthcare company Smith and Nephew, *where* he was medical director. Roy Thomas, Fisons' finance director, says Woods is leaving the company "amicably" after a very stressful two *years.*

■ **David Mason** has resigned from TRIPLEX LLOYD.

■ **Jeff van den Broek** has resigned from EVANS HALSHAW HOLDINGS.

■ John Gray has resigned from *BAILLIE GIFFORD TECHNOLOGY.*

■ Marshall Stewart, director of corporate strategy at CENTRAL TELEVISION, has resigned to start his own consultancy.

■ **David Davies** has retired from *TT GROUP.*

■ **Elizabeth Curtis** has resigned from ENTERPRISE COMPUTER HOLDINGS.

Tepnel Diagnostics, the biotechnology company which joined the USM last month, has appointed Sir David Tripier *as its executive chairman.* Tepnel, which is based at the University of Manchester Institute of Science and Technology, has developed diagnostic testing *systems* designed to detect the presence of residual antibiotic or other contamination in foods and of *viral* and bacterial conditions in blood.

The original chairman and chief executive, Harold Morley, has decided to split the two roles, and to concentrate on developing business opportunities. He remains *chief executive; Terry Colley* becomes marketing director. Alec Craig, a partner with Manchester solicitors, Halliwell Landau, where Sir David is a consultant, has been appointed a non-executive director.

***Sir David, who lost his Ross*endale seat at the general election, has picked up several jobs since then: non-executive directorships at St Modwen Properties, based in Birmingham, at Dunlop Heywood, consultant surveyors with headquarters in *Manchester, and at* PP, a computer services company based in his former constituency, Rossendale. Last week he also took on another role as consultant to Halliday Meecham, a medium-sized firm of architects in the north west, *where he will advise* on urban development initiatives.**

Electronic switches

Arthur Collie, a leading robotics expert, has been appointed as an industrial professor by the University of Portsmouth. Scottish-born *Collie, 63, is technical director* of Portech, the Portsmouth engineering company with whom the university has a co-operative agreement on robotic design.

Under his leadership, the university's robotics group within the Faculty of Engineering has developed a series of wall-climbing robots which has aroused worldwide interest.

■ **Andy Etherington,** formerly *marketing and development* director with Mecca Leisure, has been appointed md of GRUNDIG BUSINESS SYSTEMS in the UK in succession to Richard Hargrave.

■ ***Clive Ainsworth,** formerly* commercial director of Frontline, has been appointed md of Databit CCSL, a SIEMENS company.

■ **Brandon Barnwell,** formerly European president of Square D, has been appointed divisional director of drives & standard products group of Siemens in the UK.

Martin Taylor to chair NatWest Life

Martin Taylor, vice chairman of Hanson, has been appointed chairman of NatWest Life, which will be capitalised at £150m when it begins underwriting in 1993.

This is the most important *job Taylor has taken on since* becoming vice-chairman of the Anglo/American conglomerate in 1988. While he has been a non-executive director of NatWest for two years, the new position is expected to take up an increasing amount of his time.

NatWest says Taylor would be steering its new joint venture company with Clerical Medical Life Assurance Society through its formative years; he admits the new job would be demanding. But he added: "*This is time I will have to* squeeze out of my own private time. My responsibilities at Hanson are unchanged."

Taylor is also a non-executive director of Vickers PLC and has been a member of the CBI Council since 1981.

Haig Simonian describes how privatisation will affect the technical expertise of one Italian engineering group

Carving up the specialist pie

Access to the latest turbine know-how is essential for success in industries from aero-engines to power generation, but there is one unwritten rule: never share technology with a company controlled by a competitor.

That rule could pay a big part over the next few months in determining the future of Nuovo Pignone, the Italian high-tech engineering group best known for its compressors and gas turbines.

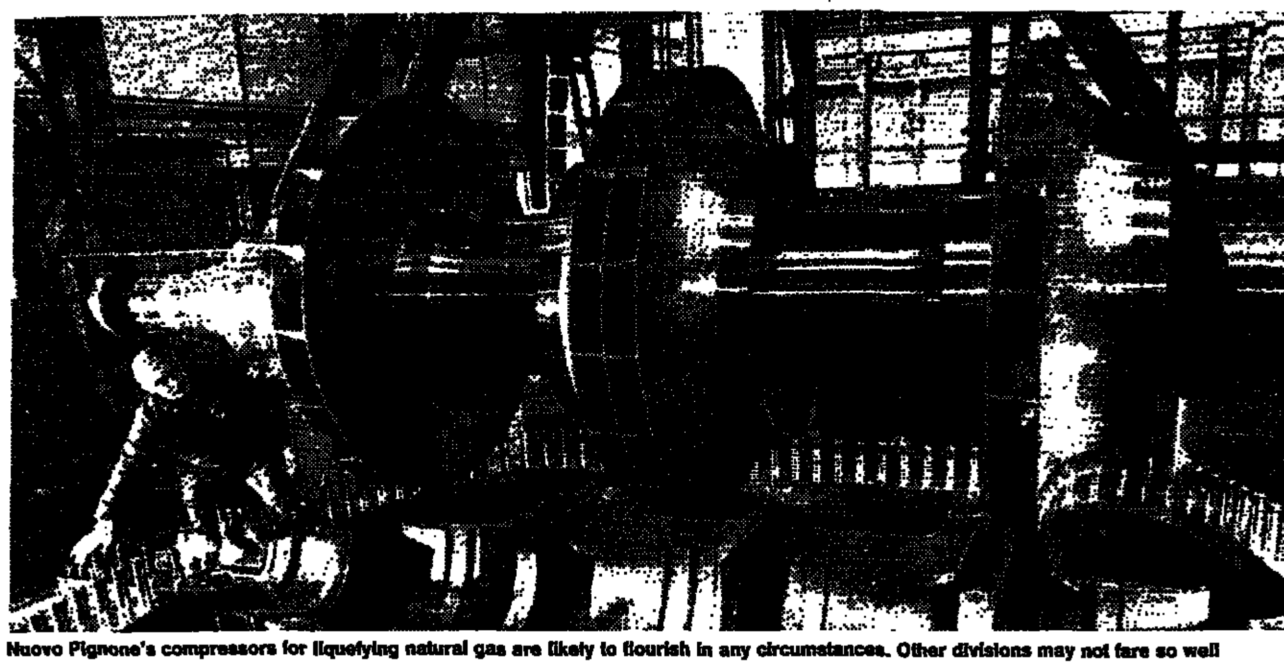
The company, established as a foundry in 1846, invented the world's first very high-pressure reciprocating compressor for ammonia production in 1920.

But executives of the Florence-based group, now owned by the state-owned Eni energy and chemicals concern, may have to print new visiting cards should the company change hands after last month's decision by the Italian government to privatise it.

The world market for turbines and compressors is dominated by a handful of multinationals and characterised by cross-licensing arrangements. The future ownership of Nuovo Pignone – which claims 6 per cent of the the world gas turbine market – will determine its product mix, possibly to the detriment of some activities and arguably the benefit of others.

Hence privatisation – probably via a trade sale to another company, rather than a public flotation – represents the biggest change for the company, which now employs around 5,000, since coming under Eni's wing in 1954. Earlier this month Eni gave Istituto Mobiliare Italiano, the Italian financial services group, the mandate to advise on the privatisation.

Being part of Eni has shaped Nuovo Pignone's development over the past four decades. It has lent heavily towards products for energy and chemicals, reflecting the ambitions of Eni's founders to create a broad group spanning oil, gas and chemicals from exploration and refining to retail sale and distribution.



Nuovo Pignone's compressors for liquefying natural gas are likely to flourish in any circumstances. Other divisions may not fare so well

Eni's subsidiaries find oil and gas, build rigs and pipelines to extract and distribute them, and design and construct the refineries and chemicals plants to process such raw materials.

Meanwhile, Nuovo Pignone provides some of the machinery to fit into that puzzle. Its compressors, operating at very high pressures and often in extreme climates, cover uses from liquefying natural gas to pressurising gas pumped down oil wells to improve extraction rates or store gas surplus to requirements.

The move into gas turbines, the other main part of Nuovo Pignone's business, also derives from its role within Eni. Developing gas turbines meant Nuovo Pignone could offer customers not just established products like compressors, but also the machines used to drive them.

Today, its turbines operate on Eni's gas and oil pipelines, as well as on others designed, developed or sold by Eni's subsidiaries to users from Siberia to the Iranian desert. Even some smaller Nuovo Pignone products, such as petrol pumps and domestic gas meters, have a marked "energy" bent.

Such a wide range – largely dictated by Eni's role in the hydrocarbons business – explains why employees and managers are worried about privatisation. No potential buyer has Eni's spread of activities, especially in the energy and chemicals fields.

While Nuovo Pignone's compressors and turbines are likely to flourish in any circumstances, some other divisions, like textile machinery, which was developed when Eni was still in the artificial fibres business, look vulnerable.

Nuovo Pignone executives admit that many client contacts have been won on the back of the company's role as part of the Eni group. Once out of that orbit, such business could be difficult to obtain.

Even some newer products, like Nuovo Pignone's gas turbines for generating electricity, are spin-offs from its oil- and gas-related work. Though Eni itself is barely active in generating electricity, Nuovo Pignone's turbines for electricity generation have their roots in those drawn up for driving compressors or other oil- and gas-related products.

Yet senior managers also insist they are not dependent on Eni. "The group accounts for between 25 per cent and 30 per cent of our turnover," says Romano Noceti, Nuovo Pignone's head of external relations. "But we have to fight for the orders we get from our parent company."

A takeover by one of the world's big multinational engineering groups like Siemens or Asea Brown Boveri could spell a substantial change for Nuovo Pignone's operations. It currently has a licensing agreement with General Electric of the US, the world's biggest power equipment group, to produce high-capacity gas turbines using US know-how. Meanwhile, GE has tapped Nuovo Pignone's expertise on lower-capacity machines, which the US group produces under licence from the Florentine company.

Such links explain why some analysts see GE as the most obvious buyer for Nuovo Pignone. Should a competing gas turbine maker end up as acquirer, the future of Nuovo Pignone's relationship with GE – and hence a large slice of its turbines business – could be in jeopardy. "No manufacturer wants to share technology and know-how with a company controlled by a competitor," says one industry analyst.

Even the idea of creating a big Italian turbine group by forcing a merger of Nuovo Pignone and Ansaldo, the heavy engineering subsidiary of the state-owned Finmeccanica group, runs up against technological barriers, they say.

Many engineers say Ansaldo's background in making big, steam-powered, turbines for power stations does not fit in with Nuovo Pignone's traditions. "Making gas turbines working at temperatures of up to 1,200 deg C involves much higher technology than steam turbines, where temperatures seldom exceed 500 deg C," says one engineer.

Though steam turbines still have a role in today's highly-efficient "combined cycle" electricity generating plants, where recycled energy from a big gas turbine is used to heat steam for a smaller steam turbine, the market for big steam turbines is limited, he argues.

Further complicating the Ansaldo-Nuovo Pignone concept is the fact that Ansaldo recently agreed to manufacture Siemens's high-capacity gas turbines under licence. However, some bankers believe the domestic merger may be favoured on political grounds.

Irrespective of the buyer, Nuovo Pignone faces a difficult adjustment period ahead. Changes will take place whoever purchases the company. But it is already clear that the divorce from Eni could be more traumatic in some circumstances than in others.

Technically Speaking

Time to act on careers in research

By Clive Cookson

THE career structure for academic scientists in the UK has deteriorated alarmingly over the past 15 years. Judged on a combination of factors, including pay and security of employment, university research is now one of the least appealing professions open to bright young graduates.

The root cause of the problem is the surge in short-term (two- or three-year) research contracts, which has not been matched by any expansion in permanent jobs. In 1978, 13,451 scientists and engineers had permanent or long-term posts in British universities and 3,905 had short-term contracts. By 1991, the number of long-term posts had fallen to 12,716, while the short-term total more than doubled to 9,930.

In personal terms, these statistics mean that researchers have to stagger through their late 20s and 30s – and sometimes even into their 40s – on a succession of short-term contracts. The result is low morale and a lot of time wasted worrying about where the next contract is going to come from, instead of concentrating on the research itself.

However, there are encouraging signs that the UK research establishment is preparing at last to tackle the academic career crisis. Senior figures are speaking out about the need to look after people better.

Most outspoken is Bridget Ogilvie, new director of the Wellcome Trust. This summer's sale of shares in Wellcome, the drug company, will double the trust's research spending to more than £200m a year – not far short of the government's Medical Research Council budget – and give her a powerful influence over academic careers.

"It seems obvious that drastic action is needed to stabilise careers and secure Britain's science base, particularly if the brain drain is to be reversed. It is not fair to treat people as short-term disposable assets, and it is unwise for the health and future of the nation," she believes.

Although the Wellcome Trust is not big enough on its own to shift the whole UK system to more long-term funding, Ogilvy is likely to find allies within the state-funded research councils.

Another powerful call for change comes from the Royal Society, the country's senior scientific body. Its report on the future of the UK science base, published last month*, focuses particularly on the need to improve research careers – and puts forward some excellent proposals for reform.

According to the Royal Society, it is reasonable for young researchers to undertake one or two short-term contracts after completing their PhD studies. But promising scientists should then be rewarded with long-term support including "benefits good enough to compete with careers in other sectors".

The support should take the form of a personal fellowship "guaranteeing salary and research expenses for at least five years". The scientist could use his or her funds to work at any approved institution – in contrast to today's contracts which are tied to a particular project. One beneficial side-effect would be to make universities compete more actively to attract good researchers. Ideally, the fellowship would end with the scientist finding a permanent research position.

At the same time, universities and funding agencies need to set up a system for advising young researchers about their future. Many scientists find today "that they are funded by one organisation and employed by another, with neither taking an interest in their careers," as the Royal Society puts it. People who turn out not to be suited for long-term careers in academic research must be helped to transfer to different employment.

Reform along the lines suggested by the Royal Society would only work well if it were taken up enthusiastically by the government, the research councils and Universities Funding Council, as well as the Wellcome Trust and smaller research charities.

Fortunately, the government has a chance to give the reform process real momentum when it publishes the promised White Paper on Science and Technology next year. Improving career patterns may not be the most exciting issue on the agenda but it is one of the most important for the health of British science.

The Future of the Science Base, Royal Society, £11.50.

ARTS

Fifty years ago the Cornish painter Alfred Wallis died a pauper forgotten by the community of artists which had patronised him and neglected as a serious painter. Now his work is much in demand, and the anniversary of his death is being celebrated by exhibitions in St Ives, Exeter and London and by a revised edition of the biography by Sven Berlin, long out of print, *Alfred Wallis: Primitive* (Redcliffe Press: paperback: £9.99).

It is a sad story which Berlin told with passion and anger shortly after his hero's death. Berlin had worked in Cornwall as a young man before the second world war and made use of his intimate acquaintance with the farming and fishing communities of West Penwith to gather up the stories and circumstances of Wallis's long, cantankerous and difficult life. In the preface to the first edition in 1943, he wrote: "Some will say, why trouble? The paintings speak for themselves. True: they do. There is already too much rubbish written on art. That is why I wish to talk mainly about the man." His memoir is thus an invaluable, irreplaceable account.

Now, almost half a century later, Berlin's anger has faded. However, in the preface to his new edition, he says: "To think back is often painful. A friend told me he recently went into a gallery in Mayfair and asked the price of the Alfred Wallis painting in the window. £8,900, was the reply: we have had several. They sell as soon as they come in! He's very popular..."

This simply confirms Wallis's reputation as an artist and the underlying seriousness of his work. However, the difficulty in assessing Wallis now relates not to price or value but to critical status. Berlin's own epithet, *Primitive*, is the real problem, for it suggests an otherness of culture which now seems more and more unsustainable. Wallis was untutored, natural perhaps, but not primitive.

Yet it *was* clearly a sense of otherness that set Wallis apart even from his own community in his lonely old age as a widower. Then it was, at the age of about 70 in the mid-1920s, that he began to paint, using whatever materials came to hand. He painted images of what he knew and remembered of his days at sea, indeed still saw with his inner eye. Those paintings of his last 20 years captivate us still, with theirpowerful, authentic vision of a vanished world.

The strength derives not only from the charmingly odd and natural images but very much from the conviction and authority with which they are done. These things are true paintings, properly realised in the paint itself, the colour wonderfully controlled, the composition quite as secure and strong as it is original and unexpected. His paintings work to their own pictorial logic and such is his belief in his world that we too entirely share it. Natural painter, maybe, but a painter nevertheless, and few have ever painted ships and the sea so lovingly, so knowingly and so well.

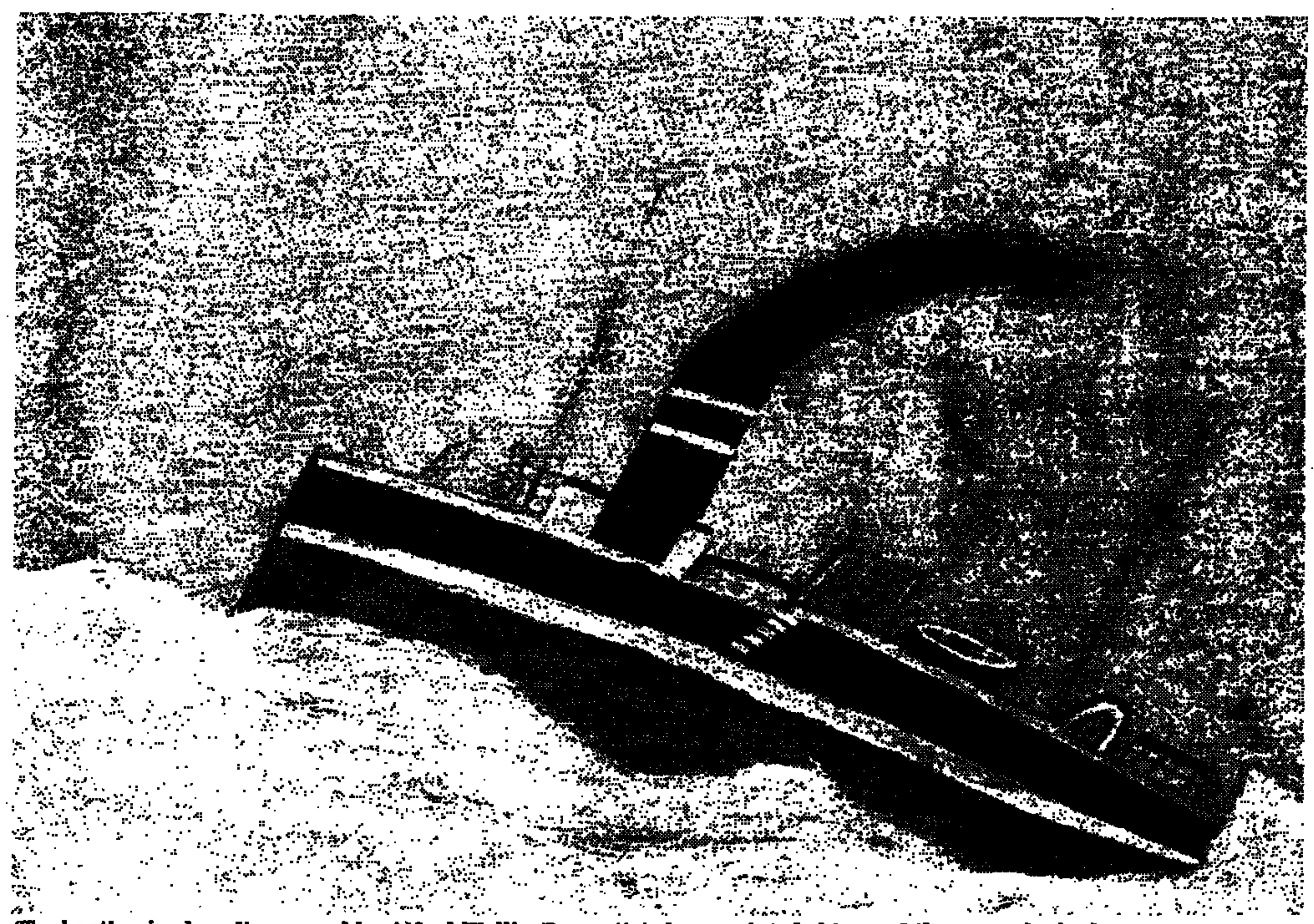
These strange and beautiful things, set out to dry at his door, soon caught the eye of more conventionally sophisticated artists who came to St Ives and found themselves in Back Road West from time to time. We must remember that the *primitive*, the art of the native peoples of Africa, the New World and the South Seas, was very much the currency of the avant-garde in those days, legitimised by Picasso and Matisse and their *confrères* in Paris well before the First World War. The young Ben Nicholson and Christopher Wood were most certainly alive to such things, and we can readily understand their interest and excitement at coming upon Wallis and his work for the first time.

Whether his was to be an influence actually exerted upon them, or was rather an example they deliberately chose to draw upon, the effects were manifest soon enough in their own work. But they by no means treated him as an equal and fellow artist. To Nicholson and Wood and their friends, Wallis may as well have come from another, lesser order of creation, to be treated kindly of course, indulged and even flattered, but not taken too seriously. *Primitive*, in short, got in the way, and the line between patronage and exploitation becomes hard to draw.

Take for, example, this letter from Ben Nicholson, early in 1929. "Dear Mr Wallis, Many thanks for the new paintings. There are some lovely ones among them, and we like them very much. Mr Wood and Mrs Nicholson both liked one of them as much as any you have done... I am sending back four and have kept nine as follows – one 3s, two 2s, six 1s: 13s, Post 1s.6d: 14s.6d, and enclose cheque for 14s.6d & hope this is correct?" Berlin goes on to say that collectors worked out a scale of charges, "going up to 8s for the larger ones." Of course 1s was worth more in those days (about the equivalent of £1 today). But even so, 8 shillings!

However, these patrons thought they were helping, for Wallis as often as not would give his work away to the sympathetic visitor. He died in the workhouse, unsupported by his artist friends, and was only saved from the pauper's grave he dreaded by the painter-critic, Adrian Stokes, who gave £4.10s for a proper plot. The Salvation Army did at least give him a decent funeral. Bernard Leach, the potter, made the golden lighthouse that marks the grave, but "got only about £19 to cover his costs. Few subscribed and none were very generous..."

Alfred Wallis - Mercury Gallery, 26 Cork Street W1, until November 21: Wills Lane Gallery, St Ives, until October 31: Gordon Hepworth Gallery, Exeter, until November 25.



'Tugboat'; mixed media on card by Alfred Wallis. Few artists have painted ships and the sea so lovingly

A powerful, primitive vision

William Packer admires the work of Alfred Wallis

Music/**Andrew Clements**

Showtime at Aldeburgh with Britten and Weill

Aldeburgh's autumn festival is a much more concentrated affair than its big summer sister, an extended weekend of concerts focussed upon Britten and his musical relationship with just one other composer. The chosen partner this year was Kurt Weill: four programmes provided comparisons of their orchestral, vocal and instrumental works – the *Sinfonia da Requiem* set against Weill's Violin Concerto and Second Symphony, Weill's early string quartet paired with Britten's First, and so on as well as concert performances of Brecht and Weill's *Threepenny Opera* and *Happy End*.

The two composers met just once, in Maine in August 1940, when Britten was at work with Auden on their ballad opera *Paul Bunyan* and Weill was completing the score of what would be his first Broadway success, *Lady in the Dark*. Coincidentally it was the time when their styles reached their closest approach, not through any shared European background (though early Britten and European Weill have much more in common than it might seem at first hearing) or their political radicalism, but because of the effect of the American musical on their music. For Britten it was to be only a passing phase (like the spoiled attempt to study with Berg, another tantalising might-have-been), for Weill it had already become the only way forward.

Saturday evening's concert at the Maltings offered the most direct opportunities for comparison. Nine numbers from Weill's *Knickerbocker Holiday* were followed by a selection from *Paul Bunyan*, and Britten's cabaret songs were mingled with extracts from *Johnny Johnson* and *Lady in the Dark*. It was a fascinating piece of programming, full of charming juxtapositions, and wonderful to hear again the music of *Bunyan*; the Prologue in particular belongs among Britten's most magical creations, a source he was to plunder on several occasions in his subsequent operas.

Knickerbocker Holiday may not be so consistently memorable, the extraordinary "September Song" excepted; it's easy to see why, though, its thinly disguised parable on the dangers to New Deal liberalism fell foul of the conservative lobby. The shards from "Johnny Johnson", the first of his New York works, woven into the second half seemed instantly fresher and more effective. Only the orchestral dimension was missing. The show songs were given with an accompaniment of two pianos and percussion, inevitably ironing out the differences between Britten's relatively "straight" scoring and Weill's more idiomatic Broadway sound.

The BBC Singers conducted by Simon Joly were the mainstay of the programme, moving between styles with great aplomb and intelligence. The soloists were Angéline Reaux, totally winning in Britten's "O Tell me the truth about love" and "Stop all the Clocks" and HK Gruber. Gruber was a curious choice; however admirable he is as a baritone/speaker in his own music and other pieces written for him, his thick Austrian tones seemed out of place here – almost plausible in *Knickerbocker Holiday* (set among the Dutch colonists of New Amsterdam in the 17th century) but quite wrong for the ballads of *Bunyan* and not nimble enough for the show songs. A small cavil, though, in what was a thoroughly entertaining and revealing evening.

Snape Maltings; sponsored by Audi. A European Arts Festival event.

Concert/**Richard Fairman**

Patriotic feel to Elgar's 'Caractacus'

The echoes of the final chorus might have reached Westminster, if not Brussels. For Elgar's long-neglected oratorio *Caractacus* the time may have come: this patriotic work tells the story of the ancient Britains' resistance to Roman conquest and in its final peroration hymns "the text of Britain's teaching, the message of the free".

One has a vision of local Conservative Party choirs up and down the country suddenly deciding to do the piece and the publishers running out of copies. As far as Sunday's performance at the Barbican Hall was concerned, however, the timing was fortuitous. Richard Hickox and the London Symphony Orchestra have been pursuing a series of Elgar's choral works for some time, of which this welcome revival was the most recent.

Ironically, one of the shadows lurking in the background is the decidedly un-British example of Wagnerian music drama. A couple of weeks ago the BBC performances of *The Kingdom* reminded us how close Elgar came to *Parsifal* when he composed scenes like the breaking of bread. In *Caractacus* it is the trappings of the drama that are Wagnerian: the sacred oak tree, the Druid maiden who foretells the future, the heroes in battle.

The music itself admits less of an influence. Even though his mature work was all still to come at this point, there is no mistaking Elgar's hand in the music that describes the peace of the Malvern Hills or the sun rising over the forests below. In a few passages he even leaps ahead to those sinking, melancholy harmonies that were to characterise his most personal statements, notably in Caractacus's Lament after his defeat.

The soloist in that inspired portion of the score was David Wilson-Johnson, a lively interpreter, although his voice loses power at the top just when it is needed. Judith Howarth dealt confidently with Eigen's music, but Arthur Davies sounded unhappy as Orbin. The tenor part is improbably high in the Siegfried mode and hits a mini-forging song within the first few minutes. Stephen Roberts sang the Arch-Druid and Alastair Miles was a fine, firm Emperor Claudius.

There is a far wider range of lyrical, pastoral and mystic music in *Caractacus* than the common view of it would have us believe and Hickox mostly did it justice, even if he has never mastered the art of allowing Elgar to speak naturally. The London Symphony Chorus also put on a decent show. Nothing could easily live up to the ending, unless it be a massed choir of Thatchers and Tebbits in full cry.

Dance/**Alastair Macaulay**

Merce Cunningham: an Event for the feet

A foot is what you find at the bottom end of your leg. But a foot is also a metrical unit, as in poetry. The connection between the two, not often apparent, is never more vivid than in the choreography of Merce Cunningham. Here are feet that bring the whole body into life; they rise, fall, flex, point, tap, they brace, anchor, lead and pace.

And here are feet that, often audibly, mark out iambs, trochees, dactyls, spondees, anapaests, amphibrachs, a changing, wide range of clear metres. There are no feet in all dance like those of the Cunningham company. To have them briefly back in Britain has been a privilege.

Some larger superlatives are also in order. There is no dance company today in which style and technique are more ideally fused. No company of dancers today is composed of more individually attractive (or attractively individual) people. And no company today has such consistently superb choreography. Please note the present tense here. Cunningham is 73, and it is a fact that his dances seldom if ever look their best when he is not around to coach them. Even if some of them survive him, it is obvious that most of his work present future dancers with far greater problems of interpretation than choreography by Martha Graham and George Balanchine – little of which today is in the condition it enjoyed 10 years ago, during their lifetimes. Dance is the art of the present tense, after all. There is nothing in life like catching it, so to speak, hot off the press.

This return to Britain, after three years, consisted of performances in Northampton and in London at the Queen *Elizabeth Hall*. Though since 1964 London has seen several seasons of Cunningham's work, these three South Bank performances were the first it has seen of his Events. *A Cunningham Event is a one-off* anthology, selected from a range of his works, and is usually performed with music and designs that did not originally accompany that choreography. An event changes so much during its duration – generally around 90 minutes – that it becomes complete demonstration of the whole Cunningham experience. Writing after the first two performances, I testify to the rapt attention and instant acclaim that they received from audiences.

The present array of Cunningham dancers performed marvel upon marvel this weekend. On Saturday, Robert Swinston and Patricia Lent each performed exacting solos (originally from *Signals*, 1970) with phenomenal audacity and control. Swinston, always both withdrawn and intense, tossed off unexpected air turns, to right and left, and other jumps, swept across the stage with fervour, and was constantly surprising. Lent, in an already amazingly secure balance high on half-toe, arched back, and then further back, keeping her balance, and then proceeded with inscrutable assurance to further prodigies of equilibrium, leaning way to one side with one leg beaming high into the air on the other. And these are not feats of "mere" technique; they register on us as acts of spiritual daring do.

In a duet (from *Trails*, 1982), Carol Teitelbaum came bounding on with exhilarating *ballon* and attack. Already possessed of a breathtaking fixity of purpose on stage, she has now begun to discover the lightness of touch and personal authority to make her a central figure in the company. Such a character is in perfect contrast to the calmly eccentric elegance of Helen Barrow, the witty and luscious Larissa McGoldrick, the lyrical fervour of Emma Diamond or the plush power of Jenifer Weaver. The company's male dancers are maybe even more striking. This weekend, David Kulick's blithe heroism, Alan Good's serene command and Frédéric Gafner's vivid involvement all made particularly strong impressions.

The structure of an Event varies greatly. Now you see a private game for a small group, now a series of grand-scale duets, now an ensemble moving like wildlife at large, now solos that roam out on to the less known perimeters of the mind. The Cunningham experience is still difficult for some observers. Though its basic nature has probably changed little since the 1950s and 1960s, it remains more profoundly avant garde than any experimental work being created by new dance-makers. Still, at a mysterious level an Event is peculiarly coherent and expressive. Cunningham's choreography never fails to say "What a piece of work is man". Great dancing, great theatre, great poetry.

Merce Cunningham Dance Company, Queen Elizabeth Hall

INTERNATIONAL **ARTS GUIDE**

■ AMSTERDAM

Concertgebouw 20.15 Ivan Fischer conducts Netherlands Radio Philharmonic Orchestra in works by Stravinsky and Bartók. In Kleine Zaal, Nikolai Demidenko gives a piano recital. Tomorrow: Hartmut Haenchen conducts Netherlands Philharmonic Orchestra in works by Beethoven, Bartók and Brahms. Thurs: Das Lied von der Erde with Jessye Norman. Fri: Budapest Concert Orchestra and Budapest Academic Choir in a Mozart programme. Sat afternoon: Edo de Waart conducts music by Richard Strauss. Sat evening and Nov 7: Frans Brüggen conducts Orchestra of the 18th Century. Nov 11, 19, 27: Nikolaus Harnoncourt conducts Royal Concertgebouw Orchestra. Nov 14: Oslo Philharmonic (6718 345)
Muziektheater 20.15 Dutch National Ballet in Peter Wright's production of Sleeping Beauty (also Thurs, Fri, Sun, Mon and Tues). Tomorrow: final performance of Offenbach's Les brigands. Next Wed: Harnoncourt conducts first of ten performances of Cosı fan tutte. Nov 13-15: Trisha Brown Company (6255 455)

■ ATHENS

Concert Hall Wagner cycle: José van Dam sings the title role in tonight's semi-staged performance of Der fliegende Holländer, conducted by Ralf Weikert (repeated on Thurs and Sat). Tomorrow and Fri: Weikert conducts Leipzig Radio Symphony Orchestra and Slovak Philharmonic Chorus in a Wagner concert, including Lohengrin Act III with Thomas Sunnegardh and Eva Johannson (722 5511)

■ CHICAGO

CHICAGO LYRIC OPERA
Dennis Russell Davies conducts the world premiere of William Bolcom's new opera McTeague on Sat at Civic Opera House. The libretto is by Robert Altman and Arnold Weinstein, the staging by Altman. The cast is led by Ben Heppner and Catherine Malfitano (also Nov 3, 6, 9, 12, 15, 18, 21, 24). The Bartered Bride can be seen tonight and Elektra on Fri. Pelléas et Mélisande, starring Frederica von Stade, opens on Nov 14 (332 2244)
CHICAGO SYMPHONY
Erich Leinsdorf conducts tonight's concert in Orchestra Hall, featuring works by Pfitzner, Zemlinsky, Stravinsky and Copland. Leinsdorf conducts a second programme on Thurs, Fri and Sat, featuring works by Smetana and Tchaikovsky, with Ursula Oppens soloist in Lutoslawski's Piano Concerto. Georg Solti returns for two weeks of concerts beginning Nov 12 (435 6666)

■ MUNICH

OPERA/BALLET
A new production of Khovanshchina opens on Thurs at the Staatstheater am Gärtnerplatz on Thurs. Further performances on Nov 1, 6, 9, 12 (201 6767). Tomorrow, Fri and Sun in Prinzregententheater: Rico Saccani conducts a concert of opera arias, with soloists Lucia Aliberti, Peter Dvorsky and Wolfgang Brendel. Sat: first night of new Bavarian State Ballet production of choreographies by Angelin Preljocaj, Hans van Manen and Ohad Naharin (daily except Sun till Nov 9). Nov 15: Margaret Price song recital. Nov 17: Teresa Berganza (221316)
CONCERTS
Tonight in Herkulessaal der Residenz: Andrei Gavrilov piano recital (346620). Tomorrow at Gasteig: Yuri Temirkanov conducts St Petersburg Philharmonic Orchestra in works by Glinka, Rimsky-Korsakov and Tchaikovsky. Thurs and Fri: Lorin Maazel conducts Bavarian Radio Symphony Orchestra in works by Richard Strauss. Sat: I Musici de Montreal (48098 614)

■ PARIS

DANCE
William Forsythe's Frankfurt Ballet can be seen at the Châtelet tonight and tomorrow at 20.30 (4028 2840). Ballet National de Marseille ends its season at the Opéra Comique with Roland Petit's Charlot danse avec nous, daily till Fri at 20.00. Next week: Boris Eifman's St Petersburg Ballet Theatre (4286 8883). Rudolf Nureyev's new Opéra Ballet production of La Bayadère runs daily till Sat at 19.30 at Palais Garnier. Next week: Alvin Ailey American Dance Theater. Nov 17-21: Merce Cunningham Dance Company (4017 3535)
OPERA
Tonight, Thurs and Sat at the Bastille: Myung-Whun Chung conducts final performances of Honegger's Jean d'Arc au bûcher. Next Mon and Fri: Elektra (4001 1616)
CONCERTS
Tomorrow at Bastille: Luciano Berio conducts Turin Radio Symphony Orchestra in a programme of his own music (4473 1300). Tomorrow in Grand Auditorium de Radio France: Annick Minck conducts members of the Orchestre Philharmonique de Radio France, first of a series devoted to music composed in the 1920s. Tomorrow's programme includes works by Berg and Schoenberg (4230 2308). Thurs in Châtelet: Jeffrey Tate conducts Orchestre National de France and Chorus in Schumann's Faust scenes (4028 2840)
THEATRE
● Heart of Darkness: Joel Jouanneau's stage adaptation of Joseph Conrad's novel, starring David Warrilow. Tues-Sat at 19.00, Sun at 16.00. Till Nov 22 (Athénée-Louis Jouvet, 4742 6727).
● Macbett: Ionesco's Shakespeare-inspired play, directed by Jorge Lavelli. Tues-Sat at 20.30, also Sat and Sun at 15.30 (Théâtre national de la Colline, 4366 4360).
● Antigone: Sophocles' drama in a new production by Czech director Otomar Krejca. In repertory with works by Molière, Camus and Mikhail Lermontov (Comédie Française, 4015 0015).
● Doktor Faustus Lights the Lights: Bob Wilson's Gertrude Stein production. Daily till Sat at 20.30 (Théâtre de Gennevilliers, 4793 2630).

■ WASHINGTON

KENNEDY CENTER
Washington Ballet presents a mixed bill of choreographies by Christian Holder, Choo-San Goh and Ray Barra, from tomorrow till Sat at the Eisenhower Theater. Tonight at 19.00 in the Concert Hall, Chamber Music Society of Lincoln Center plays works by Bach, Prokofiev and Mendelssohn. Thurs, Fri afternoon, Sat: Mstislav Rostropovich conducts the National Symphony Orchestra in works by Bizet and Shostakovich. Sun afternoon: violin recital by Itzhak Perlman. Next Wed: Kirov Opera Orchestra. Nov 7: opening night of 1992-3 Washington Opera season (467 4600)
BALTIMORE SYMPHONY
Zoltan Kocsis plays Bartók's Third Piano Concerto on Thurs, Fri and Sat morning in Joseph Meyerhoff Symphony Hall, in a programme conducted by Christopher Seaman (410-783 8000)
JAZZ/CABARET
Barns of Wolf Trap Tonight and tomorrow from 20.00: Buckwheat Zydeco, Creole music from southern Louisiana. Thurs: singer and guitarist Syd Straw. Fri: Andrew Rangell, classical pianist. Sat: Alex deGrassi, new-age guitarist. Next week's guests include Cuban jazz trumpeter Arturo Sandoval (703-218 6500)

■ ZURICH

Opernhaus Tonight's performance is Semiramide. Fri: Bernd Roger Bienert's new production of Nutcracker. Sat: Die Zauberflöte. Sun: Der Rosenkavalier with Gwyneth Jones. Mon: Robert Holl recital. Nov 7: first night of Giordano's Fedora with Agnes Baltsa and José Carreras (262 0909)
Tonhalle Tonight's concert by the Zurich Chamber Orchestra features work by Rossini, Britten and Bruch. Tomorrow: Tonhalle Octet plays works by Francaix and Schubert. Next Tues (at Spirgarten, Zurich-Altstetten): Zurich Chamber Orchestra plays Vivaldi. Next Wed: Hakan Hardenberger is trumpet soloist with the Tonhalle Orchestra (261 1600)
Schauspielhaus A new production of Botho Strauss' Kalldewey Farce opens on Sat. The repertory also includes plays by Dürrenmatt, Shakespeare and Thomas Bernhard (221 2283)

European Cable and Satellite Business TV

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MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

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Tuesday October 27 1992

Britain and Maastricht

IN THE increasingly tense run-up to next week's debate in the House of Commons, the future of the Maastricht treaty is starting to become confused with the survival of Mr John Major, or even with the future of his government. This is to miss the main point: the Maastricht treaty must be ratified by Parliament because it is in the interests of Britain that it should be ratified.

It is obvious that this treaty is not perfect; and it is easy to cavil at particular ingredients. But the whole menu is a broadly based programme of further integration in a wide range of policy fields, which represents the best political compromise the 12 governments were able to reach at their Maastricht summit 10 months ago.

Some parts of the treaty now look rather over-ambitious; others may seem over-cautious or plain inadequate. Last month's currency crisis in the exchange rate mechanism has cast a cloud over the feasibility of the programme for Economic and Monetary Union; it now seems uncertain when or if weaker member states will be in a position to join in moves towards monetary union, and unlikely that even the strong currencies can reach monetary union before the end of the decade. Conversely, it is clear that the treaty provisions for developing a common foreign and security policy rest much more on rhetoric than substance; this political lacuna has been underlined in practice by the meagreness of the European response to the Yugoslav crisis.

Coherent action

But the Community needs to develop. The logic of the single market dictates closer economic integration; the geopolitics of Europe requires effective, coherent action from the western part of the continent. Agreeing effective mechanisms in response to these needs is a complex matter involving much compromise. Maastricht was just such a compromise: not a series of final solutions, but an inescapable agenda.

No one can pretend that the treaty as a document is simple, lucid or elegant; some people pretend that it is unintelligible. But its general objectives are clear, large and unmistakable: to carry the process of European integration a large stride forward, without unnecessary centralisation of powers, and to extend it on a broad front into new fields such as foreign policy, perhaps defence one day, justice, immigration and social welfare. On immigration, for example, member states naturally wish to preserve a high degree of autonomy, but only the foolish pretend that national responses alone can deal with the scale of potential migratory pressures bearing down on the Community from all sides. Maastricht or no Maastricht, common action is needed.

Common interests

This extension of the process of European integration does not derive from some dogmatic and abstract federalist ambition. It is in Britain's interests to take part in the process of European integration, because Britain and its European partners have increasingly broad interests in common, and share more and more problems which they can better tackle together.

The British government has resisted any binding commitment to take part in a single currency, and the British political establishment may not think in Community terms as instinctively as some of its continental counterparts; but the central reality is that Britain is a European country with European interests and European problems, and it needs European policies which can be developed with its European partners.

That is the function of the European Community: to enable the member governments jointly to develop common policies. The most misconceived and misleading ingredient in the Maastricht treaty, was the attempt to pretend that Emu would be an automatic mechanism leading unstoppably to a single currency. Nothing in the Community has ever been or can ever be that automatic; this is a Community of sovereign governments which are permanently engaged in negotiation and decision-making. And in such a Community, Britain has everything to gain; the only thing it need fear is that it may mistakenly exclude itself, by retreating to some anachronistic isolation.

This was the platform on which all three political parties fought the general election in April. Now they must deliver.

Two principles for Hong Kong

FOR A COUNTRY more than 3,000 years old, four years and eight months is a very short time. In angrily dismissing the modest plans of Mr Chris Patten, Hong Kong's governor, for political reform and threatening to reverse them when it regains sovereignty over the territory on July 1 1997, China has signalled that it is quite prepared to wait him out. For Beijing, this is merely the last irritating chapter in its attempts to wrest the best harbour on its coast back from duplicitous Britain.

For Mr Patten, however, failure by China to respond in any way to his proposals would be damaging, despite his bold challenge to Beijing to come up with better ones. Hong Kong people will increasingly feel that the broadening of the democratic base is pointless if, instead of being on the "through train" to Chinese rule which negotiators have been attempting to create, they seem to be accelerating straight into a set of buffers.

China's position may be bluster. Mr Patten will have expected a hostile response in Beijing – though perhaps not the degree of vilification whipped up by the Chinese press – but his gamble must remain that China will feel bound either to negotiate or to acquiesce.

Popular support

The best reason for hope that it will eventually respond is that it is in China's political and economic interests to do so. By overtly seeking – and apparently winning – broad popular support in Hong Kong, Mr Patten has touched Beijing on a very raw nerve. The integration of the Hong Kong economy with that of the neighbouring regions of China should have progressed still further by 1997.

The Communist party wants the region to be the next industrialising tiger while remaining under its control, already a difficult balancing act. The last thing Beijing wants is militant opposition among the best-off 6m people at the heart of it. The sacrifices involved in precipitate action by Beijing would be far greater than at Tiananmen Square in 1989.

Popular support is Mr Patten's strongest weapon – which makes it all the more important that he do everything he can to carry all quarters of Hong Kong society with him. Support from ordinary Hong Kong people is important in order to keep the goad in China's back. Backing from the business community, which appeared to be showing the first signs of anxiety yesterday, is equally important. Many pillars of that community have favoured a softly, softly approach to China, feeling that this best safeguarded their future. Mr Patten's view is that prosperity would be best protected by his proposed changes. He will have to convince them that he is right.

Airport row

Two principles are involved in planning Hong Kong's future: first, that its citizens should be as free as possible; and second, that prosperity should be assured. Mr Patten is right to bind them together, but some in Hong Kong worry that the first will get in the way of the second.

The main symbol of future prosperity for many local businessmen is Hong Kong's £13bn airport project. It, too, has become embroiled in the current political row. China's reaction to Mr Patten's proposals clouds the prospects for a quick agreement on airport financing, and that must mean that the project's future is in doubt.

This would not, however, be the disaster that people in the business community are likely to paint it. Hong Kong already has a good – if crowded – airport, and others are being built nearby. Hong Kong does not need a new airport at any price.

Britain's change of style in dealing with China comes very late. It may be seen by history as the last, possibly futile, gesture in a botched withdrawal which has done little justice to the citizens of one of the most successful parts of Britain's former empire. But Mr Patten's attempt to boost democratic choice within the framework of Britain's agreement with China deserves support. The effort, however late and limited, is worthwhile.

The fact is that it is in China's interest that Hong Kong people should be confident about the future and have a new airport. Mr Patten has not acted unilaterally. He has made proposals. Beijing should discuss them with him instead of abusing him.

Price constraints threaten to undermine the sales and earnings of leading drugs companies, writes **Paul Abrahams**

A bitter pill to swallow

The prospect of a victory for Governor Bill Clinton in the US presidential election has hit US pharmaceuticals stocks. Since the Democratic convention in July, the shares which were the market's favourites last year have fallen by more than 10 per cent on average.

The sharp decline has been prompted by fears that a Clinton administration might introduce controls on drug prices, following the lead of other countries. Ministries of health in nearly all the largest markets are planning measures to slow the growth of drugs spending through price cuts or freezes.

Such pressure threatens to undermine sales and earnings growth, leading eventually to a restructuring of the world's pharmaceuticals industry.

In August, for the first time, Germany's Krankenkassen – the health insurance organisations which provide cover for everyone in work – slashed the amount they were willing to pay for drugs, cutting prices on average by 5 per cent. The reductions, followed by a two-year price freeze, are part of a package that observers believe could slice drugs groups' profits in Germany, the world's third-largest market for pharmaceuticals, by a quarter.

In Italy, the world's fourth-largest market, the treasury – which sets drugs prices – has refused to allow any further increases.

Meanwhile, in Japan, the world's second-largest market, the ministry of health has cut drugs prices by 8 per cent on average this year. The prices of some medicines have been reduced nine times in the past 14 years.

But it is in the US, the world's biggest market for pharmaceuticals and one of the last, with Denmark, in which drug prices are not set by the government, where the implications of price curbs could be most serious. Companies are already voluntarily limiting their prices in the hope of avoiding legislation, but their efforts may be too late to prevent it.

The reason for worldwide pressure on prices is that healthcare budgets in almost every developed country are out of control. A combination of rising demand for care from ageing populations and increasingly expensive medical technology has sent health spending spiralling.

Germany spent about 9 per cent of gross national product on healthcare in 1989 compared with 6 per cent in 1970. Last month, the German health ministry warned that the Krankenkassen could register a deficit in western Germany alone of DM10bn (£4bn) this year because the cost of healthcare would outstrip contributions.

In the US, healthcare expenditure has risen from 7 per cent of GNP in 1970 to 12 per cent in 1990. Over the same period the proportion of the costs met by federal and state authorities has increased from 22 per cent to 41 per cent. The rest is paid by individuals and private health insurers.

Governments, faced with such rising healthcare expenditure, have preferred to target the prices and volumes of drugs prescribed rather than trim spending on politically sensitive areas such as hospitals and doctors.

The dilemma is particularly acute in the US where American congressmen threatened the industry with legislation following the publication in August of a report by the US General Accounting Office, the investigative arm of Congress. The report showed that the price of some drugs (see accompanying chart) had increased by more than 200 per cent over the past six years compared with a 26.2 per cent overall rise in the consumer price index.

Congressman Pete Stark, Californian Democrat and chairman of the House Ways and Means health subcommittee, said the report demonstrated there was no justification for the steep price increases in prescription drugs. He blamed "corporate greed".

Mr Paul Freiman, chairman of the US Pharmaceutical Manufacturers Association, says the war of words over prices is partly the reason why relations between the government and the American pharmaceuticals sector is at its lowest point for 30 years.

The response from global drugs groups has been defensive. They argue that, by setting their sights on prices, governments are aiming at the wrong target.

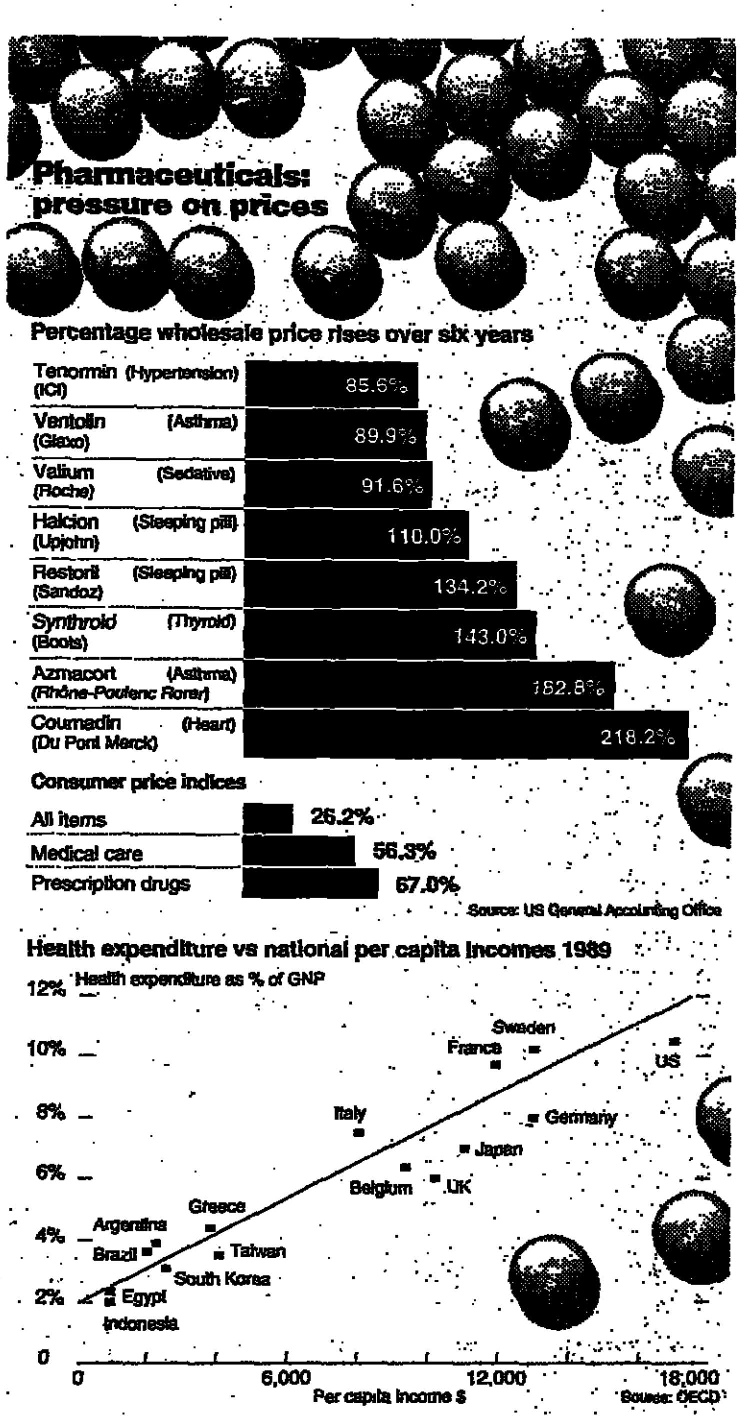
"Expanding healthcare budgets are not a drug-driven phenomenon. In the UK, the proportion of health expenditure represented by drugs has only risen from 9 per cent in 1960 to 10 per cent in 1990," says Mr Jim Attridge, international business operations manager at ICI's pharmaceuticals division. "That isn't much of an increase."

Expenditure on drugs accounted for 14 per cent of total US healthcare costs in 1960, according to Mr Peter Lauper, head of pharma-economics at Ciba-Geigy in Switzerland. By last year the proportion was down to 7 per cent, although overall spending on drugs was up. Over the same period, much of the rise in healthcare spending was generated by the cost of running hospitals and doctors' surgeries. Mr Lauper says expenditure on hospital staff and other costs represented 34 per cent of healthcare spending in the US in 1960, and had reached 45 per cent in 1990.

Nevertheless, drugs companies admit their case is not helped by their traditionally high profit margins and returns on capital. At Glaxo, worldwide pre-tax profit margins were 31.4 per cent last year, while those of SmithKline Beecham, the Anglo-American healthcare and consumer products company, were 25.6 per cent. Merck, the US giant and the world's largest drugs group, had margins last year of 36.8 per cent.

During the fatter years of the late 1980s, such pre-tax margins attracted little attention. But while other industries' earnings have plunged during the recession, those of the pharmaceuticals groups have been conspicuous by their strength.

The industry defends its profits by arguing it needs to invest in research and development. American groups, for example, now spend about $11bn a year researching and bringing new drugs to market, compared with $4.5bn five years ago.



Many diseases still have no cure, ranging from Aids to Alzheimer's. Given adequate resources, the industry claims, it can find them. More than 90 per cent of medicine discoveries are developed by the drugs industry, according to the US pharmaceutical manufacturers association. American companies discovered 47 of the top 97-selling drugs launched between 1975 and 1989. Countries with lower prices and profit margins, such as France, do not develop best-selling medicines because they do not earn enough to plough into R&D, the US industry alleges.

One snag with this argument is that the industry's high margins are calculated *after* the costs of R&D have been deducted. In other words, the substantial profits achieved by most of the industry are banked after companies have met their R&D expenses. If they did not spend as much on R&D, their profits would be greater.

American politicians have so far been unimpressed by voluntary undertakings by the industry to control its prices. Merck, Upjohn, Hoechst-Roussel, Bristol Myers Squibb, ICI and Pfizer have all introduced measures holding down some or all of their prices. So far, companies supplying a third of the US market have promised to keep price rises in line with the consumer price index, according to the industry association.

In spite of such undertakings, global pressure on pricing is unlikely to disappear. The ensuing structural change, according to Mr Viren Mehta, partner at Mehta and Isalay, the New-York healthcare investment group, is producing "a bifurcation of the industry between the haves and the have-nots".

The haves, according to Mr Mehta, are those companies with development departments which have the expertise and scale necessary to bring drugs to market quickly in the US, Europe and Japan. They also have strong marketing skills to exploit the new medicines to the full. He describes them as M&D – marketing and development – groups. Among them, he lists Merck and Pfizer of the US, and Glaxo of the UK.

The have-nots are those groups with few new products and expiring patents. These weaker groups, which used to generate profit growth through price increases, have been particularly hard hit by the recent pricing constraints.

In the third quarter of this year, for example, the US group Bristol Myers Squibb reported pre-tax profits growth of 5 per cent, while Upjohn's increase was only 1.4 per cent. Eli Lilly recorded a loss of $268.5m after restructuring charges. In contrast, Merck, one of the "haves", increased earnings by 17 per cent.

The polarisation of the industry could be followed by consolidation among the have-nots. Mr Martyn Postle, a pharmaceuticals industry consultant at Coopers & Lybrand, the management consultancy group, says: "In 1989 the top 25 companies had about 50 per cent of world pharmaceuticals sales. By the end of the decade the top 15 groups will control half of the market."

Economies of scale among the leading M&D groups would allow them to reduce the proportion of turnover spent on marketing and R&D. Mr Paul Krikler, industry analyst at Goldman Sachs, the stockbroker, says leading companies could reduce their sales and general administration costs to about 25 per cent of turnover – Glaxo currently spends about 40 per cent of turnover on sales and administration.

Further costs could be saved through the rationalisation of pharmaceuticals manufacturing, an area of significant over-capacity. Drugs groups have duplicated manufacturing plants, particularly in European countries, where they have used the promise of local investment to negotiate higher drugs prices from governments. Glaxo has manufacturing capacity in 42 sites in 31 countries.

The cost-cutting has already started. Last week, Eli Lilly said it was spending $519.6m on restructuring its operations, including manufacturing. Syntex, a US group, also announced a restructuring plan during the same week.

Through such cost-containment, some of the larger groups may become stronger global competitors. But for the weaker companies, the trend towards government-imposed price constraints in the world's main markets threatens their survival.

Saturday's FT
Some copies of the Saturday edition were distributed with an incorrect illustration on this page. The error is regretted.

Joe Rogaly

The Tories' hung party

Since U-turns are so much in fashion, here is one of mine. It no longer appears to me to be "almost certain", as I have been saying recently, that Mr John Major will survive as prime minister for another four years. This is not a turn very far around the U. There is no suggestion that Mr Major is definitely, or even probably, for the chop. In fact the odds are still in favour of him keeping his job. It is just that there seems no end to the series of misfortunes that fate has decided to inflict upon his premiership. It has therefore become prudent to visualise scenes in which he steps down.

One such was conjured up by a leading Eurosceptic in a hotel foyer during the recent Conservative party conference in Brighton. The conversation had passed beyond the technicalities of a formal challenge, of the kind that felled Lady Thatcher. Nothing of the sort seemed likely to happen. Then Mr E Sceptic said "what about this?" whereupon he put his arm around my shoulders and, adopting the manner and voice of Sir Marcus Fox, proclaimed: "Prime minister, the members want you to spend more time with your family . . ." The obvious reply was, "but if that happened you would get an even more Europhile prime minister than Mr Major, since the candidates are . . .", to which Mr Sceptic replied: "If we must choose from three peas in a pod, let us at least have a competent pea."

This exchange was quickly forgotten, but over the past few days it has returned to haunt me. The spectres began to reassemble as Sir Marcus, chairman of the backbenchers' 1922 committee, scuppered the plan to close 31 coal pits. Then last Thursday a gang of Europhobes ambushed a regular meeting of the '22, much in the same manner as militant members of the far left once hijacked Labour party and trade union assemblies. The executive of the committee emerged to say that Mr Major's plan to reopen parliamentary debate on the bill to ratify the Maastricht treaty was premature.

That should have been brushed aside as an opening skirmish in a long drawn-out parliamentary battle. After all, it is now clear that what was elected on April 9 was not a Conservative government with a majority of 21, but a hung parliament in which the two parties that most loathe one another, the Thatcherites and the Majorites, stand beneath the Tory flag. The difficulty is that the government has no idea of how to operate in a hung parliament; the notion that one exists is so abhorrent to Conservatives that they will find it hard to accept my half-joking suggestion that it does.

No sane government seizes a hand-grenade and threatens to pull the pin if it does not get its way

After the '22 spoke, Number 10 Downing Street decided to reassert the principle of a parliamentary majority. On Saturday the prime minister's office allowed (encouraged?) newspapers to report that if the government loses the vote on the Maastricht debate due on November 4 a general election will follow. The Labour party would be well placed to win it. This threat was unwisely timed, as Mr Major himself seemed to acknowledge in a radio interview on Sunday and the party chairman, Sir Norman Fowler, appeared to be shouting out loud yesterday. No sane government ties a hand-grenade round its waist and threatens to pull the pin if it does not get its way. For Mr Major and his colleagues to do so is a clumsy confidence trick.

So grave have matters become that the Labour party has been roused from its post-electoral slumber. It seems ready to compromise on its commitment to the Maastricht treaty in the hope of damaging the prime minister. The time is not right, its shadow ministers are saying; the Danes have not yet spoken – anyhow the upcoming vote is a matter of confidence in the government, of which the opposition naturally has none. If there are votes in sophistry, Labour will romp home next time.

The likely outcome, of course, is that the government whips and business managers will find a way out, as they did over coal last week. But it is trickier now. A motion that stresses confidence in the government will attract a negative vote from Labour and the Liberal Democrats but should minimise the number of Maastricht rebels. A motion that stresses the merits of the treaty makes it harder for Labour to vote against, but will maximise the Thatcherite party's vote. A soft motion – to adjourn the house, say – exposes the government's weakness. These equations contain too many unknowns to make prediction easy.

Tradition has it that governments get their way in the end. Tradition is probably right. If so, Parliament will – eventually – ratify Maastricht, in which case the prime minister's fortunes may begin to take a turn for the better. There is, however, a chance that it will not – that the whole endeavour will be cast aside on Wednesday week, or before the winter is out. If that unlikely accident happens, it will be hard to say what point there is in Mr Major carrying on.

Last of the royal yards are placed in the dock

A government decision on the location of submarine facilities will determine the fate of Rosyth and Devonport, says **David White**

Just upstream from the Forth rail and road bridges in eastern Scotland there is a giant cavity dug into reclaimed land. The hole is easily big enough to accommodate half a dozen football pitches. Dump trucks beetle around its floor. Being poured into this pit are a quarter of million cubic metres of concrete and public money already exceeding £170m.

It is meant to become two dry docks for nuclear-powered submarines, one big enough to take Britain's new Trident ballistic-missile vessels, the largest submarines ever built in the UK. But it could equally well become nothing at all.

The government has to make a judgment of Solomon between the two remaining royal dockyards. A decision between this project at Rosyth and the rival plans of Plymouth's Devonport dockyard is due by Christmas. At both yards, thousands of jobs are at stake.

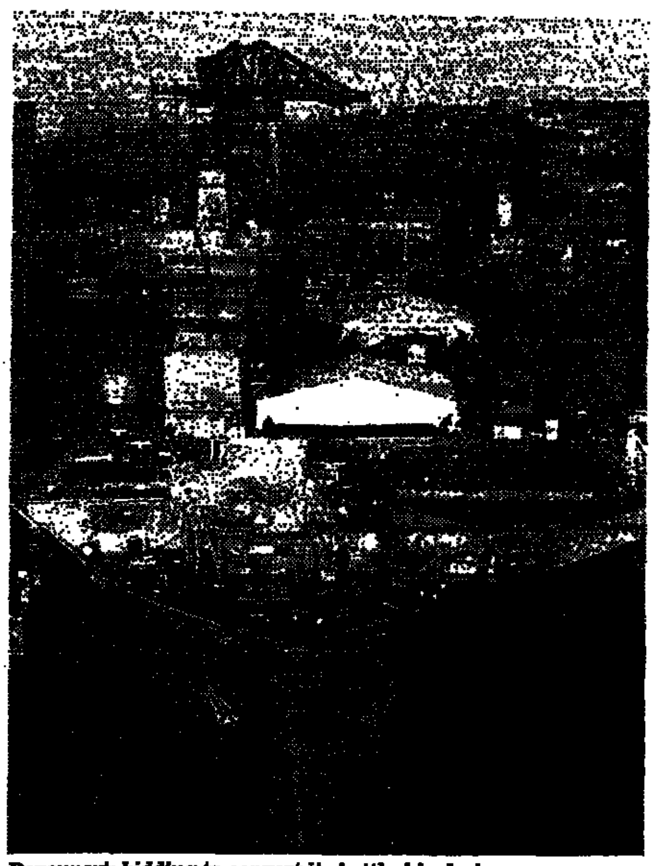
The dilemma has received little national publicity, but either region would take failure as a blow comparable to the government's plans for colliery closures. Rosyth Royal Dockyard is the biggest single industrial site in Scotland, Devonport the biggest in south-west England.

They are the remnants of a network of naval yards dating back to Henry VII, the first monarch to maintain a standing fleet. Deptford and Woolwich disappeared last century. Chatham and Gibraltar were abandoned in 1984, and Portsmouth was downgraded. They used to build ships as well as repair and refit them, but no warships have been made at the dockyards for more than 20 years.

In the late 1970s the royal dockyards employed 34,000. By the mid-1980s the figure had dropped to less than 20,000. Since then, the annual business has remained constant at about £420m. There are now just 5,000 working at Devonport and 4,000 at Rosyth.

In 1987, after 16 years of intermittent studies, the government brought in private-sector managers to tackle waste and inefficiency in the dockyards. Devonport, the largest complex of its kind in Europe, was won by a consortium of Brown & Root of the US, BICC and the Weir Group. Rosyth went to Babcock Thorn, a joint venture between Babcock International and Thorn EMI of the UK. The assets remained the Ministry of Defence's, and the managers paid licence fees.

The yards were guaranteed a "core programme" of work. But this has withered along with the cold war. Above all, requirements for submarines have been cut. Refuelling and refitting a nuclear submarine is two and a half years of work, worth up to £150m. It is the backbone of the business. When the management companies entered their seven-year contracts there was room for two facilities. Now there clearly is not.



Devonport: bidding to convert its battleship docks

The issue needs to be resolved before the government can go ahead with its next plan, fuller privatisation. The current consortia may be able to extend their contracts by one or two years beyond 1994 but the Ministry of Defence has already invited companies to express their interest in purchasing either or both the dockyards. It is looking for 20 per cent savings in naval support costs and says selling the yards is a "logical progression" from today's contractor arrangements.

"We would see the ministry washing their hands of all future redundancy costs," says Mr Allan Smith, managing director of Rosyth Royal Dockyard.

At least 10 companies are believed to have responded to the MoD's invitation. Potential bidders include VSEL, which makes all Britain's submarines and is itself in the middle of deep retrenchment; GEC, which owns Yarrow Shipbuilders and has ambitions to be an all-encompassing naval supplier; British Aerospace, which makes naval weapons; and Rolls-Royce, which supplies naval engines. However, the two incumbent groups regard themselves as front-runners – both of them prepared to bid for both yards, but each intent on holding on to the nuclear work.

The yards were guaranteed a core programme of work. But this has withered along with the cold war

Both companies have branched out into non-MoD work such as boatbuilding. Rosyth has 500 people refurbishing carriages for British Rail and London Underground, and much of the site looks more like a railway marshalling yard rather than a dockyard. But commercial work is only about a quarter of the total.

"Without the nuclear work we would be going below the critical mass for a facility of this size," says Mr Mike Leece, managing director of Devonport Management Limited, The Devonport yard. This contains a messy array of buildings from various stages of its long history and covers 300 acres, much bigger than Rosyth. It has been on a crisis footing for the past 18 months.

Rosyth, which has been building its new facility since 1987, was initially the natural choice for a reduced submarine programme. It was the only yard to have refitted ballistic-missile boats. In April last year, Devonport made an unsolicited bid to provide rival facilities by converting old battleship docks, big enough to house the Trident submarines. It says this would limit capital costs to £170m, well below the cost of completing the works at Rosyth. By enabling Devonport to operate at optimum levels, it would save millions of pounds a year on the cost of refitting surface ships.

Without the submarines, it expects employment would fall to about 1,000, with little security. If it closed, the logic of having a big naval base on the same site would also be undermined. Studies indicate that more than 22,000 jobs in the region could be lost.

But if Devonport got its way, Mr Smith is convinced there would be no room for another yard. "We would end up sooner or later shutting Rosyth," he says.

Rosyth has had an unsteady history. Built as a specialist refit yard before the first world war, it was closed between the wars. The adjacent naval base, from which only minor warships are expected to operate in future, provides very little of the dockyard's work.

The race for survival is bringing out increasingly dirty tactics. Rosyth's managers make dark hints about nuclear safety risks at Devonport; a study commissioned by Devonport questions the wisdom of relying on Scotland, drawing comparisons with Russia and Ukraine.

Faced with Devonport's challenge, Rosyth scrapped plans for a grandiose covered dock and is offering to complete a simpler project for a fixed price of £267m. It envisages a new consortium which it says would be able to keep both dockyards going, employing some 3,500 at each.

Mr Smith believes the yard's late campaign may have brought it back from the brink. He is counting on government reluctance to contemplate "another Ravenscraig" (the Lanarkshire steel complex, the closure of which was announced in January), and the temptation of opting for the least damage to the dockyard communities. If he is wrong, Rosyth will literally be staring at a hole in the ground.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Losses not a pointer to pit viability

From Mr Andrew Glyn.

Sir, You reported ("TUC challenges claim of losses at 10 pits", October 21) British Coal's statement that the 10 pits due for closure after the 90-day consultation period were making losses of £31m "in the financial year since April" and that this debarred them from having "a role to play under any economic scenario". Two points should be made about this figure. First, there is a strong seasonal element (holidays etc). In the first quarter of 1991-92 pits in the Yorkshire and Nottinghamshire coalfields recorded only 10 per cent of their profit ("operating cash flow") for the year; and in the first two quarters only 22 per cent. Partial results for an (unspecified) early part of the financial year are therefore not a reliable indicator of the year's results.

Second, even if the pits were on the road to annual losses, this would not be a reliable guide to future prospects given variability in mining conditions. The experience of all 50 pits over the past five years reveals 36 instances of losses in one year being followed by profits in the next, and this has already happened in five of the 50 threatened pits.

Mr Heseltine, the trade and industry secretary, repeated in the House of Commons on October 21 that what distinguished the 10 was that "they are losing money now". Even if this were true over the past few months for each and every one of them (which British Coal has refused to reveal), it would be a quite unreliable guide to their future financial prospects, let alone their potential economic contribution. The government and British Coal have given absolutely no justification for separating out the 10 and excluding the 9m tonnes they produce and the 7,000 miners who work in them from what is supposed to be a thoroughgoing review of energy policy and the position of UK coal.

Andrew Glyn,
fellow and tutor
in economics,
Corpus Christi College,
Oxford

Free parliamentary vote on Maastricht the virtuous course

From Mr Brian H Gill.

Sir, Britain's prime minister need not risk his government's neck over the Maastricht treaty in order to deal with his Euro-rebels ("Tory Euro-rebels renew defiance over Maastricht", October 26) because he can achieve his ends in a much less dangerous manner.

He should make a virtue out of the fact that parliament, and in particular his own party, much more accurately reflects the doubts of its electorate than does the legislature of virtually every other Community member state. He should propose a free vote not only on next week's "paving debate" but also on the line-by-line consideration of the Maastricht bill. (This, of course, has the additional benefit of outflanking Labour's position.)

In this way, he can give a powerful and popular impetus to the UK presidency by focusing (as he has already intimated) on the "democratic deficit" and the absolutely critical need to address the concerns of the citizens of Europe.

Brian H Gill,
261 Grove Street,
London SE8 3PZ

Comparisons to bank on

From Mr Philip Mickelborough.

Sir, Richard Simmonds (Letters, October 24) may or may not be justified in unfavourably comparing a British with a Belgian bank, merely because the latter offered him 6 per cent more sterling for BFr50,000 in the UK.

He should also have changed £1,000 into BFr at both banks in Belgium, and compared the ratio offered there with that in the UK. Then he could have decided whether the disparity reflected British banking greed, or the different values of foreign currency to domestic and foreign banks.

Philip Mickelborough,
39 Kingsbury Street,
Marlborough, Wiltshire

The myth that only large airlines can survive

From Mr Richard Branson.

Sir, In his gloom at the prospects for independent airlines George Williams (Personal View, October 20) comes dangerously close to swallowing the myth that only the largest airlines can survive – a triple fallacy.

First, smaller airlines are more innovative, free of the large airline tradition of eradicating consumer choice. For example, Virgin Atlantic has pioneered an unrivalled range of popular developments, including seat-back videos for every passenger, limousines, masseuses, lounges on board and a new class of travel for full-fare Economy passengers.

Second, smaller airlines deliver a better product. This is the service industry par excellence. In choosing airlines, passengers attach great importance to the care, courtesy, enthusiasm, friendliness, respect and efficiency with which the airline's people treat them, on board and on the ground. Large airlines' conspicuous lack of these qualities led me to set up Virgin Atlantic Airways in the first place. Now our high service standards enable us to compete successfully with six out of the world's 10 largest airlines.

That success is absolutely dependent upon our staff understanding the importance of their jobs and recognising their own personal contribution. Personal commitment is important to passengers, but rarely found in large airlines.

Third, smaller airlines are more efficient. For example, the largest airline has admitted costs at least 25 per cent above those of its smaller competitors, contributing to inflation by wasting several million pounds a day of passengers' money.

So smaller airlines suffer no lack of advantages – but they do lack the chance to use them. A barricade of obstacles to airline competition is still tolerated by governments. Government-imposed exile to Gatwick helped kill off many independent British airlines. That obstacle at least has gone, but now there is another: historical precedence in the allocation of vital airport take-off and landing slots.

There could not be a more anti-competitive measure, but it is still tolerated by governments and may even be reaffirmed in the EC under the British presidency.

Get rid of these needless obstacles to competition; crack down hard on predation before it can damage smaller airlines; and ban state subsidies to airlines. Then leave smaller airlines to compete. They can and they will, to the great benefit of consumers.

Richard Branson,
chairman,
Virgin Group of Companies,
120 Campden Hill Road,
London W8 7AR

Prudence should continue to have merit

From Mr Jeremy C Kilner.

Sir, Having spent nearly 10 years as chairman of the financial committee of a successful local authority, perhaps I could comment on the suggestion that the taxpayer should compensate the local authorities which lost money with the Bank of Credit and Commerce International. The higher the return on money lent, in theory and in practice, the higher the risk; and those placing the money should have been made aware of that. The particular circumstances of the largest loser – the Western Isles – gives cause for concern.

I see no reason why those of us who are prudent should always be expected to bail out the foolish – if we did, prudence would have no merit.

Jeremy C Kilner,
Choppards Mill,
Huddersfield

OBSERVER

Replacing homo Lucas

■ It used to be said in the City there were two types of men; homo sapiens and homo Lucas.

Lucas Industries' reputation for inbred management has once again reared its head with the departure of Tony Edwards, who was to have taken over from Sir Anthony Gill as chief executive at the end of the year.

In 1989 Lucas brought in two senior managers from the outside; David Hankinson as finance director and Tony Edwards as head of the aerospace division. Shortly, both will have gone.

The 62-year-old Sir Anthony is chairman and chief executive, and has effectively been acting as finance director while a replacement for Hankinson was found. In the year in which he would normally have been expected to retire he has also taken on an extra non-executive directorship, at Tarmac.

Quite why the board changed its view about the flamboyant Edwards is not clear – though the turn of events may give some quiet satisfaction to Hankinson. Some analysts believe he did not think Edwards was yet ready for the top job, and he left a month after Edwards was confirmed as Sir Anthony's heir apparent.

How have the non-executive directors acquitted themselves in all this? Sir Anthony has lined up a formidable array – several through headhunters rather than anything smacking of the old boy network. Six out of ten board members are independent, with a depth and variety of experience ranging from Sir Colin Southgate to senior Crédit Lyonnais banker Philippe Souviron.

It looks like an ideal Cadbury prescription – but for all that the management succession is less than ideal.

Code barred

■ Now might not be a good time to start reading Tolstoy, since there is only one day to go before the world ends.

"Jesus will come in the feast of trumpet" on October 28 1992 according to an advert in USA Today International, paid for by the COC Mission from South Korea.

The Mission cites several biblical quotations as authority, notably the reference to the "strengthening of the EC as economic giant" apparently to be found in Daniel chapter 2, verses 40-43.

Turning to the King James' version, one finds no reference to Jacques Delors. Instead, the passage begins "And the fourth kingdom shall be strong as iron; forasmuch as iron breaketh in pieces and subdueth all things; and as iron breaketh all these, shall it break in pieces and bruise." The verse is about as clear as an EC directive.

Never mind nit-picking. You will want to know how to prepare for the end of the world. "Make sure the grace of blood of the cross" says the Mission (grammar will presumably go out of fashion after Armageddon) and "give up your fleshly life". But most important, the Mission commands "Do not receive the mark 666, bar code on the forehead or right hand!" Sounds tricky, but most of us might just about manage it.

Cuba libretti

■ Political appointees in Washington are getting their CVs ready and lobbyists are rewriting their address books. But the Cuban-American lobby has made sure its bread is buttered on both sides.

"And another thing ... the elephants miss you, John"

The king of the Cuban lobby, Jorge Mas Canosa, long ago set up in business with the president's son Jeb Bush. Jeb denies he pulls strings with his father. "But from time to time I pass on messages."

If Bill Clinton makes it to Pennsylvania Avenue, the messages will no doubt be carried by Maria Rodham. A Cuban-American herself, she's also married to Hilary Clinton's brother. No surprises then that the traditionally Republican ex-Cubans contributed at least $125,000 to the Clinton campaign.

Moneytalk

■ When it comes to making investing in stocks and shares sound fun, Jim Slater, the former boss of the failed Slater Walker financial conglomerate, is not in the same league as America's Warren Buffett. Even so, his new investment handbook, The Zulu Principle, contains some useful tips.

Although Slater is no longer a corporate predator, he still thinks like one. He worries, for example, when a company's finance director doesn't have a reasonable shareholding in the company he works for, and the chapter on creative accounting is worth reading if only because Slater Walker used to be a prime exponent of the art before it went under.

As for the odd name of his new tome, Slater admits it was his wife's idea. She had read a four-page article on Zulus in the Readers Digest. "From that moment on she knew more than I did about Zulus," says Slater, who believes that the same principle of building up specialist knowledge is the key to investment success.

Not amused

■ Inspired by Observer's efforts on the limerick front, the muse descended upon John Mackenzie-Green, managing director of Lloyd's brokers CE Heath, on the 6.28 am from Basingstoke yesterday.

Heath Insured, the yacht his company is sponsoring in Chay Blyth's British Steel round-the-world challenge was last night expected to come into Rio, on the first leg of the race, in third place. So Mackenzie-Green ditched the telegram he had planned in favour of some doggerel for the skipper Adrian Donovan.

I thought I'd explained that the worst
You could do on leg one was come first.
And I gave you my word
If you only came third
That I'd want Chay's full fee reimbursed!
Perhaps if you master the knack
Of threatening the crew with the sack
Then your megalomania
On the way to Tasmania
Will give them th'incentive they lack.

There then follows, from the comfort of BR, another verse of hearty congratulations. He had penned it all by Woking.

FINANCIAL TIMES
Tuesday October 27 1992

Thousands of anti-government demonstrators in Madrid join steel workers to protest against planned plant closures and job cuts

Gonzalez, for richer or poorer

Peter Bruce says socialist rule has given cause for celebration and dissent

THE SPANISH government had a good day on Sunday, celebrating 10 years of rule by prime minister Felipe Gonzalez's Spanish Socialist Workers Party at a massive rally in Madrid's main bullring. Mr Gonzalez announced that he would stand for re-election next year and said what Spain needed most was another 10 years of socialist government.

Yesterday was less comfortable. Nearly 1,000 steelworkers who have walked from northern Spain to protest at plans to cut 9,700 jobs and 1.5m tonnes of capacity from the state's two integrated steelmakers, in Asturias and the Basque country, arrived in Madrid. They were joined by another 10,000 protesters outside the industry ministry.

It might be going too far to suggest that some of the people in the bullring on Sunday were outside the ministry last night, but what was being celebrated and what was being protested are, in essence, the same thing.

The 10 years of socialist government have been about preparing Spain for life alongside the leading economies of the European Community and that has meant raising the living standards and increasing the wealth of its citizens.

But as the steel march starkly showed, it has also been about making some of them poorer. Spain does not have an industrial policy as such but the state owns a lot of industrial companies – from steel to shipbuilding, coal, avionics, electricity and airlines – which, no matter how hard Madrid tries to leave them to the markets, keep demanding its intervention or support.

This year Madrid merged its Asturian integrated steelmaker, Ensidesa, with Altos Hornos de Vizcaya, which has a large plant near Bilbao. It drew up a neat, almost bold, plan to trim their combined 24,500-strong workforce and to cut steel output from 6m tonnes a year to 4.5m tonnes.

It assumed it could combine two Asturian sites into one, keeping some blast furnaces in the port of Gijon open, and shutting those in nearby Aviles. The Gijon furnaces would then send molten steel to be cast in a modern steel shop in Aviles.

At AHV, all the furnaces would be closed but Bilbao would get, instead, the world's biggest mini-mill which, through melting scrap in giant electric furnaces, would produce about 900,000 tonnes of steel a year. The costs of the jobs cuts and the new mill would be a huge $6bn.

Both Ensidesa and AHV are high-cost producers of relatively common products which could be more cheaply imported from northern EC competitors. Their combined losses in 1991 and this year will be $1.3bn.

But the spread of the vote that has kept Mr Gonzalez in power for a decade makes it imperative that steelmaking continue in the Basque country and Asturias, which is a socialist stronghold and heavily dependent on subsidised steel and coal jobs.

If 9,700 steel job cuts, spread over six years, cause this much trouble, how will Spain ever trim its state industries before economic and monetary union?

The socialists are strong in the Basque country too, but might require the support of the ruling Basque party in the Madrid parliament if, as seems likely, Mr Gonzalez's PSOE does not win a majority at the next general election.

Thus, the opposition of the EC's competition commissioner, Mr Leon Brittan, to the steel plan came as a rude shock to Madrid this month. Mr Brittan, whose job it is to ensure that European industries are not unfairly subsidised, tried to persuade his fellow commissioners to have the Bilbao mini-mill and a further 800 jobs cut from Spain's plans.

Last week the Commission compromised and asked Spain to find its own further cuts, either in jobs, capacity or subsidies – the implicit warning being that if it did not, the plan would not be approved by industry ministers on November 24.

Madrid, then, is caught between Asturian and Basque anger at its original plan, and the need to make even deeper cuts. An "industrial shuttle", in which Madrid's industry minister will try to win support for its plan from sceptical EC partners in Britain, France and Germany before November 24, begins this week.

It may work, but if 9,700 steel job cuts, spread over six years, cause this much trouble, how will Spain ever trim its state industries before economic and monetary union (EMU), to which Spain is still committed, in 1999? The INI, the state industrial holding company, has just announced plans to shed 20,000 jobs in four years, when, at best, only 25 per cent of INIs 140,000 employees work in profitable companies.

But the day is not far off when the current trade-off between votes and jobs will become untenable. Not yet, though. This is an election year and Mr Brittan has given Madrid a perfect opportunity to tell the steelworkers that it is, despite all appearances, fighting to save jobs.

British Steel cuts production by 20%

By Andrew Baxter in London

BRITISH STEEL is to cut production by up to 20 per cent in the current quarter, underlining the disarray in the recession-hit European steel industry.

The announcement yesterday prompted a 10 per cent fall in British Steel shares to 56p – compared with 125p when the company was privatised in 1988 – and will raise fears of further job cuts at the company, already one of the most efficient steelmakers in Europe.

British Steel would not say how it planned to achieve the reduction in its "liquid steelmake", which it blamed on a further deterioration in the demand for steel products in recent weeks, both in the UK and export markets.

It denied a report immediately after the announcement that the reduction would definitely lead to short-time working, but admitted job cuts could not be ruled out.

Production in the final quarter of British Steel's fiscal year – the first three months of 1993 – will be reviewed in light of market conditions prevailing at the time, the company said.

British Steel has a number of options for achieving the production cut short of outright job reductions. It could introduce short-time working at smaller plants, while shift patterns could be altered at the larger plants, most of which operate on a continuing basis. This would mean that individuals would work fewer shifts each week.

British Steel said in June that employment would be below 42,000 by the end of the current fiscal year, compared with 44,800 at the end of March. Following the closure in June of the Ravenscraig steelmaking plant in Scotland, employment is currently 41,500.

Yesterday's announcement confirms the gloomy picture emerging from the European steel industry, which earlier this year had begun to believe the recession was ending as prices started rising after a steep two-year decline.

But prices have slipped back again in recent weeks, due partly to the political and economic crisis in the UK, and to broader economic factors in Europe which have dented customers' confidence. In addition, relatively small quantities of allegedly unfairly-subsidised eastern European imports have been further depressing prices.

British Steel is among the 15 big EC steelmakers which earlier this month asked the European Commission for financial aid to cover 50,000 redundancies planned over the next three to four years.

They also want "guidelines" on production, consumption, exports and imports, and swift action against unfair competition from outside the EC.

London stock exchange, Page 33

Unification costs soar

Continued from Page 1

considerable anxiety over what he will say. So far his only comment has been to describe the proposed tax increase as "about as useful as a hole in the head".

Details of the solidarity pact have yet to be thrashed out with the 16 federal states, employers and trade unions, he said. But he warned: "Anyone who refuses to play his part in the coming weeks and months, either in accepting savings or reordering priorities, must bear the responsibility if the burden on our citizens comes sooner and falls more heavily".

The aim is to persuade the trade unions to forego any increase in real incomes at least until 1995 and to persuade industry to accept the prospect of tax increases as soon as the threat of immediate economic recession is past. The federal states are also expected to agree to strict budget savings, and a readiness to share more of the costs of subsidising the east.

As for the railways reform, Mr Kohl said it was needed to prevent a virtual paralysis of the traffic system. "It cannot be done within the existing revenues. We are currently in negotiations with our EC partners on the subject, because of the difficult financial questions involved".

Gap narrows in trade row

Continued from Page 1

farm minister, expressed the general sentiment of his colleagues in Paris when he said "we will never accept the isolation of France". Technically, any deal on an overall Uruguay Round package cannot be vetoed by France, since it is subject to the EC's weighted majority voting system.

France would not be called on to vote, however, until an EC-US deal was reached – and the figures being examined by Brussels and Washington negotiators are not far from Paris' informal position on cereals exports.

The US wants a 22 per cent cut over six years in the volume of subsidised exports. Senior Commission officials said last night the EC was now seeking 21 per cent over seven years – which is proportional to France's 18 per cent over six years.

On oilseeds, the EC and US are still divided over half a million tonnes of EC soya output, though this has now been expressed in acreage sown rather than tonnage.

The price and productions cuts in the new CAP deal which was painfully agreed by the 12 – including France – in May is the only basis on which the EC can deliver the cuts the US and Gatt want, Commission officials insist.

World Weather

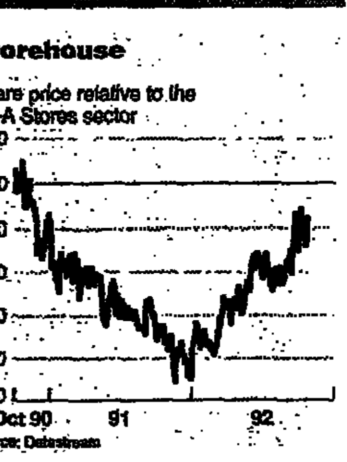
		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	F	11	52	Frankfurt	R	9	48	Majorca	S	22	72	Oporto	C	14	57	Tenerife	F	24	75
				Brussels	F	10	50	Geneva	F	10	50	Malaga	S	22	72	Oslo	Dr	3	37	Tokyo	S	20	68
				Budapest	C	11	52	Gibraltar	S	19	66	Malta	F	23	73	Paris	F	11	52	Toronto †	F	1	34
Ajaccio	F	19	66	Buenos Aires	R	28	82	Glasgow	F	6	43	Manila	R	28	82	Prague	R	6	43	Tunis	S	26	79
Algiers	S	27	81	Cairo	S	27	81	Helsinki	S	-1	30	Melbourne	S	14	67	Reykjavik	F	1	34	Valencia	S	22	72
Amsterdam	S	11	52	Cape Town	S	21	70	Hong Kong	S	27	81	Mexico City	C	22	72	Rhodes	C	22	72	Venice	S	14	57
Athens	S	23	73	Caracas		–	–	Innsbruck	R	10	50	Miami †	S	19	66	Rio d'Janeiro	F	34	93	Vienna	R	12	54
Bahrain	S	30	86	Casablanca †	F	20	68	Inverness	F	7	45	Milan	S	17	63	Rome	S	20	68	Warsaw	R	3	37
Bangkok	C	30	86	Chicago †	S	12	54	Islamabad	F	25	77	Montreal †	S	0	32	Salzburg	C	10	50	Washington †	S	6	43
Barcelona	S	18	64	Cologne	F	9	48	Istanbul	S	20	68	Moscow	C	-3	27	S'Francisco †	C	15	59	Zurich	R	6	43
Beijing	S	15	59	Copenhagen	C	6	43	Jakarta	R	31	88	Munich	R	7	45	Seoul	S	14	57				
Beirut	S	25	77	Corfu	C	19	66	Johannesburg	S	26	79	Nairobi	F	25	77	Singapore	F	31	88				
Belfast	F	6	43	Dallas †	S	17	63	Lisbon	C	17	63	Naples	C	20	68	Stockholm	S	3	37				
Belgrade	R	10	50	Dublin	R	8	46	London	F	9	48	Nassau	F	29	84	Strasbourg	C	10	50				
Berlin	Dr	4	39	Dubrovnik		–	–	Los Angeles †	S	16	61	New Delhi	S	29	84	Sydney	C	17	63				
Biarritz	F	18	64	Edinburgh	F	7	45	Luxembourg	C	7	45	New York †	S	4	39	Taipei	C	22	72				
Bombay	F	30	85	Faro	S	23	73	Madeira	C	20	68	Nice	F	21	70	Tangier	S	23	73				
Bordeaux	F	14	57	Florence	F	17	63	Madrid	S	14	57	Nicosia	S	23	73	Tel Aviv	F	26	79				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

A question of Trust

FT-SE Index: 2661.6 (-8.1)



To the outsider at least yesterday's £9.5m out-of-court settlement between Drayton Consolidated Trust and Invesco MIM is highly unsatisfactory. Obviously if this were another Guinness or Blue Arrow – which it is plainly not – the Serious Fraud Office would have been on the job by now. It is not every day, though, that a fund management group agrees to hand back to its client the equivalent of 10 years' hard earned fees, as well as consciously paying £3m over the odds to purchase two of its unquoted investments.

The lack of transparency may not be important for the narrow self interest of long-suffering Drayton shareholders. It would be reassuring to know the assumptions on which the payments have been calculated, but no doubt County and Cazenove have extracted the best terms in the circumstances. What is perplexing in a wider context, though, is the nature of the problem. It is obviously more than lousy stock picking, since there are plenty of other red-faced investment managers which have seen the asset values of their unquoted portfolios plunge 50-60 per cent over the last five years. Judging by yesterday's statement, however – which refers to all the circumstances of Invesco MIM's management of Drayton Consolidated – there is more to it than just the disastrous episode of the investment in the Scottish confectionery manufacturer Alma. Shareholders in both camps might like to suck it and see.

Perhaps the real trouble is that the City does not wish to hold up a mirror to Invesco MIM. There is no suggestion of anything illegal – but by all accounts full disclosure of what happened at Drayton Consolidated would raise delicate issues such as multiple directorships, cross-holdings, and co-investing by employees. There has been a lot of talk about corporate governance lately; the City has some catching up to do.

Storehouse

Hats off to Storehouse for some pretty impressive dealing. To get £78m for a problem-child like Habitat, which the Storehouse management does not have time to fix, must be satisfying. Finding someone to buy the surplus-to-requirements Richards chain for an equally full £30m is all the more so. Of course both Sears, the proud new owners of Richards, and the Stichting Ingka Foundation, which has bought Habitat, have reasons for their purchases. Sears can argue that Richards fills a gap in its coverage of the womenswear market, while the SIF wants to develop a furniture brand to complement its Ikea stores.

Both will have to work hard to justify the price they have paid, but SIF has the more difficult task. True, the foundation is not publicly quoted and so perhaps can afford to take a relaxed view, but sorting out Habitat's troubles is a rather different proposition from that of exporting the successful Ikea idea. With much apparently expected of the current Habitat management, they will have to come up with better ideas than the failed move into edge-of-town sheds.

Storehouse is left with some cash, and two businesses which it argues fit logically together. Both BhS and Mothercare sell to families with young children and aim to buy on advantageous terms because of the group's size. Storehouse must make those backstage savings work if it is to avoid the notion that once Mothercare has been sorted out it should go the way of Habitat and Richards.

Skandia

Skandia's decision to scale back all its international reinsurance operations rather than accept a firm cash offer may leave the market thoroughly confused. Walking away from a partial flotation of the US business last month was curious enough – although the $18 a share offered by institutional investors was arguably a little mean. Last week's trade bid, on the other hand - which Skandia rejected - was $2 a share higher and would have netted $500m to relieve its debt burden. This is surely a consideration for a company which makes extensive use of commercial paper and recently had its credit rating cut.

Perhaps Skandia simply wanted to avoid the embarrassment of booking a loss on the disposal. The broader question is whether a much-reduced Skandia can make sustainable profits in a volatile, commodity business like reinsurance. By specialising in casualty business it may be able to carve a niche. But like Mercantile & General, Prudential's reinsurance subsidiary which was cut down to size this month, lower premium income will leave Skandia more heavily geared to losses on the tail of reinsurance business already written.

The withdrawal of capital by the likes of Skandia and Prudential is hardly likely to bring about a hardening of rates. Even giants of the industry such as Munich Re and Swiss Re have less than 10 per cent of the market each: for every krona or pound of capital taken out, there is a D-Mark or Swiss franc waiting to come in. Besides, the market is shrinking as direct insurers opt to self-insure. The big players will, no doubt, use the latest round of hurricane damage as an excuse to push for higher rates. Whether the market or the regulators allow this to happen is less certain.

Lucas

For Lucas to lose one potential chief executive may be regarded as a misfortune; to lose two looks like carelessness. There may well be good reasons why the Lucas board decided not to appoint David Hankinson chief executive and why it subsequently changed its mind about appointing Tony Edwards; both may equally have good reasons for leaving the company. But given that Lucas has troubles enough already – paying an uncovered dividend and operating in very difficult markets – news of boardroom problems is the last thing it needs.

The generous gloss on events might be that the directors, having made a mistake, had the courage to admit it. Less generously, it is difficult to have confidence in the judgment of a board which cannot even decide correctly on its own composition. Lucas has been criticised for reacting to the recession too late. The company's best response to the latest trauma must be to implement its restructuring plans quickly. It would also help if its optimistic view of future earnings proved well founded.

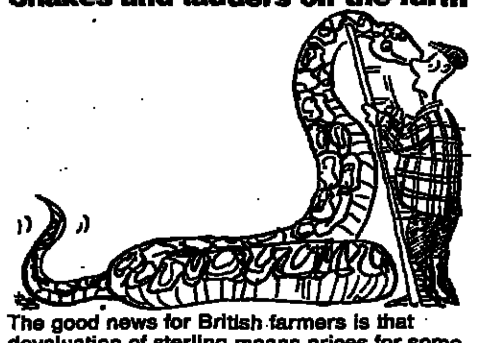
FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday October 27 1992

INSIDE

Norsk Hydro hit by recession

Norsk Hydro, Norway's biggest listed company, yesterday disclosed that nine-month net profits had been cut by half due to weak markets and European currency swings. Mr Egil Myklebust, Norsk Hydro's president, said: "The international recession seems to drag on longer than was generally expected at the beginning of the year." Page 24

Snakes and ladders on the farm

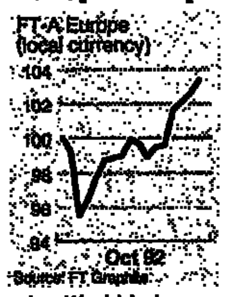


The good news for British farmers is that devaluation of sterling means prices for some farm products have risen. The bad news is that production costs have risen. The snakes that add to the costs of farming are longer and larger than the modest ladders which have increased prices. Page 31

Loyal to the organ

Three times a day a gaggle of mostly elderly people gather in Tokyo's Nihombashi district to listen to a recital on the 600-pipe organ of Mitsukoshi department store. The same man has played the organ for the past 40 years. His audience's loyalty is a symbol of the enduring role Mitsukoshi plays in Japanese retailing. But loyalty is not enough — customers are spending less. Page 26

European equities do well



European equity markets turned in good performances last week following suggestions that Germany might cut its Lombard rate by the end of the year. In spite of some disappointment at the size of Tuesday's cut by the Bundesbank of its key repurchase rate, the European component of the FT-Actuaries World Index rose nearly 4 per cent in local currency terms. Back Page

Ad change will do nicely

American Express has sacked Chiat/Day/Mojo, the advertising agency it chose less than a year ago to handle its card promotion. It has moved back to Ogilvy. The change in ad agencies comes at a time when American Express is feeling more competitive pressure. Page 25

Italian banks

A table on this page yesterday, showing assets and net income for Italy's top five banks, transposed the dates above the figures. The dates should have read, from left to right, 1991 to 1988. We apologise for the error.

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Aachen	650	+	30
Allianz	1934	+	26
Berliner Bank	298	+	8.5
Hertitz	257	+	11
hochtief	995	+	12
Falls			
Porsche	455	−	15

NEW YORK ($)

Rises			
Chrysler	25¾	+	⅝
Ford	39⅞	+	½
Somatix	7	+	⅜
Falls			
Chevron	72¾	−	⅜
Occidental	15⅞	−	¼
Radius	5	−	¼

New York prices at 12.30pm.

PARIS (FFr)

Rises			
Euralrance	1165	+	105
Bal Lafay	1770	+	90
Skis Rossignol	605	+	25
Falls			
Bancaire Cie	357	−	15
Intertech	358	−	37
Printemps	694	−	86

TOKYO (Yen)

Rises			
Izutsuya	409	+	29
Nippon Kakoh	451	+	31
Falls			
Nippon Housing	240	−	34
Saitama Bank	220	−	19
Tosco	230	−	20
Towa Meccs	221	−	22

LONDON (Pence)

Rises			
Albert Fisher	45	+	5
BM Group	82	+	5
Birse	23½	+	5
Black Arrow	34	+	5
Dalgety	440	+	12
Invesco MIM	77	+	8½
Lee (A)	89	+	8
Lon & Manch'r	269	+	10
NMC	35	+	7
Oxford Instrs	211	+	19
Prop Security	90	+	7
Slough Ests	125	+	6
Tarmac	86	+	4
Falls			
ASW	69	−	8
Automagic	9	−	5
Babcock	30½	−	4
British Steel	56	−	6½
Forte	171	−	8
Grand Met	398	−	11
Marley	76	−	4
Palma	14½	−	2½
TI Group	307	−	11
Welpac	48	−	4
Wiggins	2	−	4

Habitat sold to Ikea's parent

By John Thornhill in London

STOREHOUSE, the retailing conglomerate created by Sir Terence Conran through mergers in the 1980s, was dismantled yesterday as the new management sold two of its five trading companies, Habitat and Richards, for £108m ($176m).

The proceeds from the disposals – to Ikea's holding company and Sears, respectively – will be used to speed development of the core BhS and Mothercare chains, which accounted for about three-quarters of last year's group sales of £1.2bn. Blazer, the small men's-wear chain, has also been earmarked for disposal.

Mr David Dworkin, chief executive since July, said: "This is a dream come true. It is an opportunity to focus on our two core businesses where there is still great potential for expansion."

Analysts welcomed the deal and suggested it might signal a new phase whereby sprawling retail businesses slimmed down to concentrate on more narrowly defined areas. Storehouse shares rose 3p to 164p.

The Habitat furniture chain, which runs 76 stores in the UK and France, will be bought by the charitable Stichting Ingka Foundation (SIF), which owns *the Ikea Group of furniture* stores, for £54m in cash plus the repayment of £24m of inter-company loans. Storehouse said it was also in talks to dispose of its Conran's Habitat chain in the US but if these failed the loss-making business would be shut.

Last year, Habitat in Europe lost £1.1m on sales of £172m while the US business lost £7.7m.

Mr Ingvar Kamprad, Ikea's founder, said Habitat would be run as a "totally independent group" to secure the "distinct Habitat identity".

Sears, which has withdrawn from the men's wear market, is paying £30m for the 213-store Richards women's wear chain, which made profits of £1m last year on sales of £98m. Sears' already runs the Miss Selfridge, Wallis and Warehouse chains.

Storehouse, due to report its interim results next month, forecast it would break even after pre-tax losses of £13.9m a year ago.

Substantial sales increases have been reported at BhS and Mothercare but the group will suffer from an extraordinary charge of £30m resulting in a reduction of net assets as a result of the disposals.

Lex, Page 22; The future, Page 30

GM's revolution devours its creator

Martin Dickson analyses the future for the world's biggest industrial company

Revolutions throughout history have had a habit of devouring their own. Yesterday the revolution shaking up General Motors swallowed up and spat out its chairman, Mr Robert Stempel, the man who set in motion the current upheaval just 10 months ago.

Mr Stempel, 59, whose booming voice and tall frame disguised a gradualist, consensus approach to decision-making, resigned after irresistible pressure to quit from the GM board.

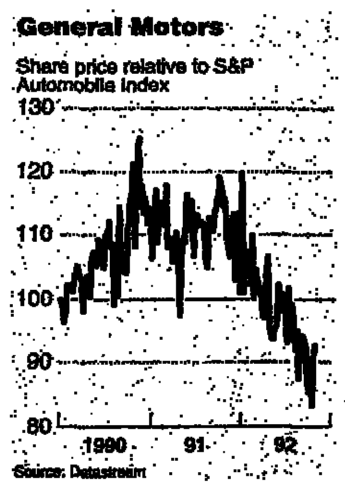
Over the past month its non-executive directors had come to believe that the moderate chairman was not addressing the company's problems with sufficient urgency, nor communicating the sheer scale of the battle facing GM to his troops.

The result was a campaign of discreet Stempel-must-go lobbying and far-from-discreet leaks to the press, creating confusion inside and outside GM as to who was running the world's largest industrial company.

Mr Stempel's resignation statement yesterday spoke bitterly of "the chaos of the past several weeks". The United Auto Workers' *union sharply attacked the* board's "tactics of management by rumour, newsleak and innuendo".

The chairman's departure raises two questions: who will succeed him? And will the changes at the top help or hinder GM's race against time as it tries to return its loss-making North American car operations to the black?

Later this week GM is expected to report third-quarter losses of up to $850m because of its problems in North America, where



the company has been losing market share for more than a decade yet has failed to cut either manufacturing capacity or bureaucracy.

Mr Stempel, who took over as chairman in August 1990, finally grasped the nettle in December last year when he announced the first stage of a plan to remake GM North America – the closure of 21 plants and elimination of *74,000 jobs by the mid-1990s.*

However, the slow progress of the revamp led non-executive directors last April to stage a coup. They replaced Mr Stempel as chairman of the board's executive committee with Mr John Smale, the leader of the outside directors. They also ousted Mr Lloyd Reuss, group president and head of North America, replacing him with Mr Jack Smith, who was formerly in charge of international operations and turned round GM Europe in the 1980s.

Mr Smith has speeded up the pace of change, but board members evidently felt that the "shock effect" of the April coup was in danger of wearing off, without a tougher example from the chairman.

Over the past two months, in particular, there has been some counter-revolutionary muscle-flexing from the UAW, which has staged three local strikes over threatened job cuts, while outside parts manufacturers have been resisting attempts by GM to cut costs of its components.

Whatever else it may do, Mr Stempel's resignation will certainly produce a shock. He is, after all, the first chief executive of this complacent, insular and bureaucratic business to be ousted since Mr William Crapo Durant, the founder of the company, was forced out in 1920.

The new chairman is expected to be Mr Smale, 65, the leader of April's non-executive coup, though he may wish only to serve on an interim basis until a successor is found.

Mr Smale, a long-time GM non-executive director, is a former *chief executive of consumer products* group Procter & Gamble, and made a name as a marketing man in the 1950s when he got the American Dental Association to support the company's fluoride toothpaste.

A quiet, methodical man, who in a rare interview three years ago described himself as a "dull fellow," Mr Smale has a reputation for preparing his strategy in immense detail and then following it through fearlessly, irrespective of unpopularity.

He brings to GM one vital quality which Mr Stempel and Mr Reuss clearly lacked: the status of an outsider, though one with a reasonable understanding of the company's business, untainted by ties with the status quo and willing to crack heads hard to achieve his goals. Mr Smith, by virtue of having risen on GM's *international side, is also something* of an outsider.

The two are expected to announce a shake-up over the next few weeks.

It is also likely to unveil a more generous employee job buy-out programme, designed to reduce tensions with the UAW, and name the last of the 21 plants due for closure. And, in spite of denials, rumours also persist that one of GM's marques, Oldsmobile, may also be eliminated.

A sharp rise in GM's share price since the start of the Stempel resignation rumours shows that Wall Street approves of the company's tougher, more urgent tone.

Yet the hurdles ahead remain formidable. GM's US car market share is still slipping, and will not be easily or quickly turned around.

Mr Smale, if he indeed becomes chairman, faces extremely delicate negotiations with the UAW over job cuts and health benefits, and his P&G experience has not prepared him for dealing with a tough, determined union.

And morale within the company is low, especially after the rumours of the past few weeks. Denying suggestions of Oldsmobile's demise last week, the marque's general manager summed up the mood: "Right now you're looking at one pissed-off cowboy".

Robert Stempel: bitter resignation statement spoke of "chaos"

Surprise as Wellcome Trust names fund managers

By Norma Cohen and Maggie Urry

WELLCOME TRUST, the medical charity, yesterday surprised the fund management industry by its choice of managers to handle its £2.75bn ($4.48bn) portfolio.

The total includes more than £2bn raised this summer through the sale of some of the trust's shares in Wellcome, the pharmaceutical company, but not its remaining 40 per cent stake, which has a market value of £3.5bn.

The trust's mandate was the largest ever awarded in the UK investment industry and the selected firms are expected to gain considerable prestige. Wellcome is said to have succeeded in countering the trend towards higher fees in the industry, paying roughly 0.15 per cent of funds under management, well below average.

The eight appointments offer an insight *into the shift in UK fund management that* is increasing the role played by small, specialist firms at the expense of the big firms. The list, chosen from 237 candidates through an intense selection procedure culminating in a "beauty contest" of 20 managers, was surprising as much for names omitted as those included.

Two of the charity's existing investment managers, Morgan Grenfell and James Capel, were not reappointed. Mercury Asset Management, the largest UK fund manager, although a finalist, was not selected.

MAM declined to comment, although it *was said to have been disappointed.* Morgan Grenfell said it was disappointed to have lost Wellcome Trust as a client.

By contrast, the successful candidates included two relatively small firms with a "boutique" image and reputations for shrewd stock-picking, Edinburgh-based Baillie Gifford & Co and London-based Newton Investment Management.

These are believed to have been selected to manage the "performance" section of the Trust's investments, seeking higher returns through slightly higher risks.

Hambros Bank, also chosen, is expected to specialise in managing the trust's *portfolio of gilt-edged stock.* Other appointments included two firms already handling parts of the portfolio, Fleming Investment Management and Henderson Pension Fund Management. Also chosen was Schroder Investment Management, Gartmore Pension Fund Managers and Phillips & Drew Fund Management.

Background, Page 29

Mazda halts US expansion as slowdown hits forecasts

By Charles Leadbeater in Tokyo and Kevin Done in London

MAZDA Motor, the Japanese carmaker, is giving up its ambitious plan to launch a separate sales network in the US to market luxury cars. The decision is one of the most significant *retrenchment moves by the Japanese* motor industry during the current recession.

The company is halting development of a V12 luxury saloon, which had been planned as the flagship of its luxury car range, and pulling out of world sports prototype car racing for at least two years, only a year after winning the Le Mans 24-hour race in France.

Mazda said yesterday it had been forced to abandon its luxury car strategy in the US in the face of its worsening financial performance, the strength of the yen and continuing weakness of the US new car market.

The group announced in August last year its long-awaited move to set up a luxury car sales channel in the US under the Amati name, with sales due to begin in spring 1994.

It was seeking to emulate its bigger domestic rivals – Honda, Toyota and Nissan – which had set up separate luxury car franchises in the US by the end of the 1980s under the respective brand names of Acura, Lexus and Infiniti.

Mazda's retrenchment in North America follows the decision earlier this year by Daihatsu, one of the smaller Japanese carmakers, to withdraw from the depressed US new car market.

The moves reflect the growing financial squeeze on Japanese carmakers, which are facing a second successive year of falling sales in their domestic market, while demand is weakening in west Europe and sales remain depressed in the US.

Mazda's parent company pre-tax profits in the year to March 1993 are forecast to fall 64 per *cent to around Y7bn ($58m), from* Y19.7bn last year, half its earlier estimate. This would be a decline of 86 per cent during the past two years.

The Japanese carmaker, in which Ford holds a 24.5 per cent stake, has revitalised its product range in the past couple of years, but in the process its finances have become seriously over-stretched and it is losing market share in Japan.

Adding to Mazda's present difficulties is its lack of a production base in west Europe.

Invesco to pay £9.5m compensation

By Norma Cohen, Investments Correspondent

INVESCO MIM, the UK investment management company, said it will pay £9.5m ($15m) as compensation in cash to *shareholders in troubled* Drayton Consolidated Investment Trust for which it was fund manager.

The compensation, the first by a fund manager to an investment trust, stems from Invesco MIM's decision to invest £43m in a troubled company and failure to disclose the extent of that investment to Drayton's shareholders and board of directors.

Drayton had taken a 14 per cent stake in Alma Holdings, Scotland's largest confectioner valued at £3m. However, it guaranteed £40m in loans to the company, taking its stake to 97.2 per cent when Alma collapsed earlier this year and the loans were called in by the lenders.

Drayton's accounts never made clear the extent of the exposure, and tax laws penalise investment trusts from taking a stake greater *than 15 per cent in any company.* Shareholders had threatened to replace the board of Drayton, and Invesco MIM as fund manager, earlier this year if compensation was not made.

The compensation, announced yesterday, is part of a package which will also create a new company, Second Consolidated, to hold the remaining investments of Drayton.

That company will have a net asset value of 158p per share, giving a total package to shareholders of 243p per share. At its peak, Drayton Consolidated was valued at nearly £5 per share.

As a result of the reorganisation and compensation package, Invesco MIM will have to spend £15.7m, of which roughly £5.2m is expected to be returned following asset sales. The deal requires Invesco MIM to purchase £7.5m of *loans to another Drayton investment*, City Merchants Bank and to repurchase shares in an East European Development Fund investment trust.

Mr Ratan Engineer, Invesco's finance director, said that Invesco is unlikely to incur further charges as a result of the Drayton reorganisation. Already, the company has written off charges of £22.8 connected with Drayton.

The company will remain as junior fund manager while Foreign and Colonial Ventures will be the senior manager.

Lex, Page 22; Details, Page 30

Norsk Hydro profits cut by half

By Karen Fossli in Oslo

NORSK HYDRO, Norway's biggest listed company, yesterday disclosed that nine-month net profits had been cut by half to NKr520m ($93.2m) from NKr1.041bn last year due to weak conditions in main markets and foreign currency losses.

Hydro said it would intensify cost-cutting measures and improve efficiency. The group plunged into a third-quarter net loss of NKr268m from a NKr99m profit last year, after suffering financial losses of NKr403m compared with financial income of NKr174m last year.

Hydro's weak result was far worse than analysts' forecasts. The group's performance was due to third-quarter losses by the agriculture division and adverse currency swings.

In the nine-month period, group revenue fell by NKr1.153bn to NKr44.471bn and by NKr590m to NKr13.123bn in the third quarter. Mr Egil Myklebust, Norsk Hydro's president, blamed the result on the international recession, difficult market conditions for fertilisers and negative effects from European currency movements.

"The international recession seems to drag on longer than was generally expected at the beginning of the year," Mr Myklebust said. This has led to low prices for light metals, petrochemical products and fertilisers. Group nine-month operating income fell to NKr2.183bn from NKr3.002bn.

The only bright spot in the group was the oil and gas division, which saw nine-month operating profit fall slightly by NKr12m to NKr1.965bn as revenue rose by NKr805m to NKr9.947bn.

Production of oil and gas rose to 2.3m tonnes of oil equivalent from 1.6m last year. Although crude oil prices were slightly higher, this was offset by a weaker dollar. The agriculture division fell into a nine-month operating loss of NKr123m from a NKr433m profit last year.

Hydro said agriculture suffered from weaker margins, a fall in consumption and strong price competition. The light metals division saw nine-month revenue slashed by NKr1.146bn to NKr11.956bn as operating profit fell to NKr276m from NKr460m.

Aluminium and magnesium improved in spite of lower prices and Hydro said costs had been cut.

The petrochemicals division lifted nine-month operating revenue to NKr3.157bn from NKr3.098bn but operating profits were cut to NKr291m from NKr377m.

Hydro said that low third-quarter prices were offset by a higher sales volume.

DNO moves to build Nedlloyd stake

By Karen Fossli

DNO, the Oslo-based oil company controlled by Mr Torstein Hagen, the Norwegian investor, plans to strengthen the company's borrowing capacity with a view to increasing its 6 per cent shareholding in Nedlloyd, the Netherlands' largest transportation group.

DNO's shares, suspended on October 5, were reinstated yesterday following a presentation of its capitalisation plan.

The company is seeking to reduce exposure to the petroleum sector while establishing a sound financial basis for its development as an active marine investment company. "This would include a somewhat greater ownership position in Nedlloyd," it said.

To achieve this goal, DNO said it would offer to convert bonds into shares and would seek the authority to issue shares directed at specific investors.

The company said it had received a positive response from most of its convertible bond shareholders, representing a total outstanding of NKr168m ($26.95m), to convert the bonds into share capital.

Through the conversion, DNO's equity-to-debt ratio would be doubled to slightly more than 50 per cent from 25 per cent. The group would issue 2m shares at a nominal price of NKr20 a share directed at specific investors.

However, under Norwegian company law, DNO will first have to write down the par value of its shares to NKr10 from NKr100. This means the company's share capital will be written down to NKr52.50m from NKr525m.

DNO is seeking to convert all its shares into voting shares in order to improve liquidity. The proposals will be put to shareholders at a meeting scheduled for November 9, but this should be a formality as Mr Hagen, through various cross-shareholding companies, represents the bulk of DNO's shareholders.

DNO said it had held discussions with some of Nedlloyd's large shareholders about acquiring part of their shares in exchange for DNO shares. These had drawn a positive response, it said.

Hopes rise for Fokker acquisition agreement

By Ronald van de Krol in Amsterdam

NEGOTIATIONS between the government of the Netherlands and Deutsche Aerospace (Dasa) of Germany are to continue today in an effort to secure a definitive agreement on Dasa's planned acquisition of a 51 per cent stake in Fokker, the Dutch regional aeroplane manufacturer.

Lawyers are working out the details of an informal framework agreement reached at the weekend on the three main sticking points in the long-running negotiations.

These are the price to be paid for the Dutch state's shares in Fokker, the future of the 50-seater Fokker 50, and the price which Fokker will pay for aircraft components under the mooted industrial partnership.

Dasa, a subsidiary of the Daimler-Benz group, is expected to pay about Fl 37 ($21.15) per share for the Dutch government's 10.6m shares as well as for the 13.2m shares which Fokker will issue to its new controlling shareholder.

Fokker's shares closed up Fl 2.40 at Fl 18.20 yesterday on expectations that the Dasa takeover, which has proved to be highly controversial in the Netherlands since negotiations first began in early 1992, will go ahead as planned.

The Dutch company's shares have fallen sharply since the government provisionally endorsed the takeover in July, when the shares were worth about Fl 30.

Dasa and the Dutch government had hoped to be able to sign a final agreement yesterday, clearing the way for formal approval to be sought from the two companies' works councils as well as from European Community authorities in Brussels.

The Dutch government is expected to win an undertaking from Dasa that it would continue production of the Fokker 50 as long as commercially feasible. But the contract is likely to fall short of a guarantee that production will not be halted or moved abroad.

Skandia to halve global reinsurance operations

By Christopher Brown-Humes in Stockholm

SKANDIA, the leading Swedish insurer, yesterday announced plans to halve its worldwide reinsurance operations.

The move comes just days after the group rejected a $500m offer for its North American reinsurance unit, Skandia America Corp (SAC).

It means that the company's total net reinsurance premiums will fall to SKr3.5bn ($653m) next year from SKr7bn, while its solvency margin will rise by 15 percentage points to 84 per cent.

The group operates the world's 10th-largest reinsurance business.

The emphasis will be on reducing Skandia's exposure to non-life reinsurance both in Europe and North America. Life reinsurance premiums are expected to hold steady at SKr2bn a year.

In the US, Skandia America will focus primarily on casualty business, treaty and facultative (usually single large risks).

Meanwhile, the Stockholm-based operations within Skandia International will concentrate on life business and facultative as well as non-proportional non-life business.

Mr Bjorn Wolrath, president and chief executive, said: "This decision is an important step in order to secure that Skandia International and Skandia America stay as long-term reinsurers."

Last week, Skandia rejected an offer worth $20 per share for SAC on the grounds that it was too low.

This was after it had abandoned plans to sell a majority stake in the unit via a public offering and private placement – because the price was inadequate.

Analysts believe the group will gradually run off its entire reinsurance portfolio and are surprised it has opted to scale back its operations rather than go for an outright sale.

However, Mrs Maria-Louise Wenander, Skandia's chief operating officer for reinsurance (Europe and Overseas) said: "This is not a run-off. It is a change of strategy designed to focus the group on more specialised areas."

The reduction in the group's reinsurance exposure will largely be achieved through an effort to increase prices in the impending renewals season, which will inevitably lead some clients to defect.

● ESAB, the world's leading welding equipment producer, increased profits to SKr81m ($15.1m) in the first nine months from SKr18m a year earlier. The group said it benefited from higher sales in Brazil and tighter cost control for its standard welding products in Europe.

Sales edged 1 per cent higher to SKr4.84bn, although, for comparable units, the figure dropped 7 per cent. The order book rose by 6 per cent to SKr4.88bn.

The group expected its full-year profit to be higher than last year's SKr9m surplus, even though it remained generally gloomy about market conditions.

"During 1992 demand for welding products has sunk in practically all markets in Europe, including the previously strong central European market. Demand in the US has improved only slightly compared with 1991," the company said.

Lex, Page 24

Volksbank warns of lower full-year result

SWISS VOLKSBANK expects its 1992 results to fall below last year's level as the result of higher provisions and write-offs, Reuter reports from Berne.

The bank said that cash-flow before tax, provisions and write-offs could be up to 10 per cent below 1991's SFr382.9m ($312.2m). In 1991, it reported a group net profit of SFr68.4m.

The Bank said it would change its legal status into a conventional joint stock company from a co-operative.

The step would give the bank more possibilities of self-financing via capital markets.

Swiss markets have speculated that Volksbank could be a merger or takeover candidate in the light of recent poor results.

However, the company added: "There is no plan for any participation of another company in Volksbank."

The change would widen the circle of investors interested in the bank.

"The co-operative stock is not an actual security and makes it more difficult in Switzerland, and in particular abroad where our legal structure is hardly understood, to placing our stock and raise capital," the company said.

The bank also plans to increase its stake in Odier Bungener Courvoisier, the French private bank, to 51 per cent from 20 per cent.

Volksbank acquired its stake in the bank, which operates in commercial and merchant banking and in asset management, in the spring of this year.

Anglo-French packagers plan US purchase

CARNAUD METALBOX, the Anglo-French packaging group, has announced a preliminary accord to purchase Anchor Hocking Packaging of the US from Newell Corp, the consumer hardware company, for an undisclosed price, AP-DJ reports from Paris.

Anchor Hocking, which specialises in metal capsules for bottles, is expected to post 1992 revenue of $160m, representing 17 per cent of the US capsules market.

Carnaud Metalbox said the purchase, subject to approval by US authorities, would lift the group's metal capsule turnover to FFr2bn (418.8m). The company produces capsules at five sites in Europe, but it has not entered the US market.

Carnaud Metalbox has an annual revenue of FFr25bn.

Berisford winds up coffee trading arm

By Andrew Bolger

BERISFORD International, the property and commodities group, announced an agreement that will result in the winding up of Rayner Coffee International (RCI), its 45 per cent-owned coffee trading associate.

Berisford, which nearly went into receivership in 1990, is little more than a shell, with its businesses reduced to a UK property portfolio and some small agribusinesses in California.

Having dealt with RCI, the group wants to build a core business through acquisitions in the services and manufacturing sectors.

It is interested in the US, where it had considerable unused tax losses.

Berisford said a programme of asset sales had reduced its obligation to RCI from $115m in September last year to $45m.

The group agreed to pay RCI's bankers $45m by March 31 next year. Berisford said its restructuring would cap its financial obligations to RCI and eliminate guarantees to RCI.

Berisford is paying RCI $26m for assets where it expects some further limited recovery in the long term.

British Gas restates results after ruling

By Andrew Jack in London

BRITISH GAS is to restate the 1991 figures to be published in its next set of annual accounts after discussions with the Financial Reporting Review Panel, the UK's accounting standards watchdog.

The panel ruled the company's decision to change its year-end from March 31 to December 31 last year, then publish its results for the 12 months to December 31, contravened the Companies Act.

Under section 223 (3) of the act, it should have shown the results only for the nine months from April 1 to December 31. British Gas has agreed to amend the comparable figures in its accounts for the current year, which will reduce 1991 pre-tax profits to £496m ($800m) from £1.47bn.

The panel has agreed to take no further action. It could have forced British Gas to reissue the last set of accounts, which would have proved extremely costly.

Mr Nicholas St John, group chief financial accountant at British Gas, said the company had publicised its decision and shown the nine-month figures in summary accounts and a note to the full accounts.

SEP criticised, Page 29

INTERNATIONAL COMPANIES AND FINANCE

Higher prices help Phillips advance to $99m

By Karen Zagor in New York

PHILLIPS Petroleum, the Oklahoma-based energy and chemicals group, yesterday posted a third-quarter profits advance, lifting net income to $99m, or 38 cents a share, from $56m, or 21 cents. Revenues edged ahead to $3.13bn from $3.11bn last time.

Mr C. J. Silas, chairman and chief executive, said exploration and production earnings were helped by higher prices, particularly for domestic natural gas and natural gas liquids.

Earnings from downstream operations were hurt by higher feedstock costs and plant turnrounds. The results, however, were distorted by extraordinary items.

In the 1993 quarter, Phillips recorded one-time gains of $6m from an asset sale and $789m from revised estimates of tax obligations. These were partly-offset by one-time charges of $19m from gas imbalance positions and $12m related to an oil pricing dispute.

Excluding these items, Phillips earned $51m in the quarter, against adjusted earnings of $13m.

For the first nine months, net income stood at $89m, or 34 cents, against $179m, or 68 cents. Revenues rose to $8.98bn from $8.89bn.

Stripping-out one-time items, Phillips earned $122m at nine months, against $234m.

Third quarter results from Unocal, the California-based energy group, were also muddied by one-time items which brought net income to $11m, or 1 cent, after dividends on preferred stock, compared with earnings of $9m, or 4 cents, a year earlier.

Excluding special items, Unocal earned $65m, or 24 cents, in the latest quarter, against $23m, or 10 cents. Revenues were $2.51bn against $2.68bn.

For the first nine months, it earned $117m, or 46 cents, on revenues of $7.6bn, compared with $89m, or 38 cents, on revenues of $8.13bn.

Eliminating one-time items, nine-month earnings were $143m, or 57 cents, against $96m, or 41 cents, last year.

Procter & Gamble up 18% in first quarter

By Karen Zagor in New York

PROCTER & Gamble, the US consumer products group, yesterday unveiled an 18 per cent improvement in underlying first-quarter earnings, reflecting higher sales in overseas markets and favourable exchange rates.

The Cincinnati, Ohio-based company said its results also benefited from lower costs and improved margins in the US.

P&G's recent decision to pull out of its unprofitable 100 per cent fruit juice business muddied earnings comparisons in the quarter.

Excluding a $200m after-tax reserve for the juice business, P&G turned in net earnings of $631m, or 89 cents a share, compared with earnings of $536m, or 76 cents, a year earlier.

Including the provision, the company earned $431m, or 60 cents, in the latest quarter.

Sales advanced 9 per cent to $7.88bn from $7.21bn.

Wall Street reacted to the results by marking Procter & Gamble's shares $1½ higher at $52½ at mid-session.

Mr Edwin Artzt, chairman, said: "We had a strong quarter despite weak economies in a number of key markets around the world and continued heavy investment in new products."

In September, P&G said it was discontinuing its Citrus Hill orange juice business and selling three other fruit juice brands, although the company said it was "in the food business for the long haul".

Cragnotti puts Lawson Marden into focus

Bernard Simon on the Canadian packaging group's progress since the Italians took a stake

FOR THE past nine months, a string of Canadian consumer-goods analysts have encouraged clients to buy shares in Lawson Mardon, the Toronto-based international packaging maker.

Investors are now discovering that they might have done better to wait. Earlier this month, Lawson floated a new equity issue at a considerable discount to market levels. The underwriters, led by Wood Gundy, have struggled to find buyers.

The C$106m (US$85.40m) issue is a landmark for Lawson. In one sense, it is a sign of the progress the company has made in the 18 months since it was taken under the wing of Cragnotti & Partners, the Italian investment group.

The extra capital is required if Cragnotti is to realise its ambition of propelling Lawson from a base of flexible packaging, folding cartons and labels in the UK and Canada into a much more powerful force across continental Europe and North America.

But Lawson also badly needs to strengthen its balance sheet. The company was keen to press ahead with the new equity issue to reassure lenders, led by Bank of Nova Scotia, with which it will soon renegotiate its C$160m loan facility. Long-term debt has risen almost 50 per cent in the past year to C$297m, bringing its debt-to-equity ratio up to 1:1. With the pinch of recession compounded by the cost of revamping operations, Lawson has generated little capital lately from its own business. It earned a minuscule C$1.1m in the first six months of this year, including a one-off C$15m restructuring charge.

A 3 per cent rise in sales, to C$627m, was due largely to recent acquisitions and foreign currency windfalls stemming from a weak Canadian dollar. Almost three-quarters of Lawson's sales are in the UK.

The unusual combination of a head office in Canada, the leading market in Britain, and a controlling shareholder in Italy has its origins in the 1950s when a Canadian packaging company, Lawson & Jones, forged links with UK printers Mardon Son and Hall.

The combined company was later taken over by BAT Industries, the UK tobacco group. BAT sold its stake in 1985 through a management buy-out, but cigarette and tobacco packaging continues to be a pillar of Lawson's business both in the UK and Canada.

Cragnotti, whose shareholders include Ferruzzi, Swiss Bank Corp, Crédit Lyonnais and Banco di Napoli, bought a 48 per cent voting interest in Lawson early last year with the aim of expanding in an industry which has gained a reputation for being less volatile than most others.

Cragnotti reasons not only that profits should remain reasonably stable but that the packaging industry will have little trouble persuading banks to lend it money through thick and thin.

Andrea Mattiussi: briefcase and cellular telephone 'office'

Mr Andrea Mattiussi, who was a senior Cragnotti executive before taking over as Lawson's president last April, has devoted his energies over the past six months to bringing a sharper focus to Lawson's business and cutting costs. He commutes between Milan, London and Toronto, and calls his briefcase and cellular telephone "my office".

"He's very, very determined to make money at this level of business," says Mr Patrick Slattery, analyst at Maison Placements of Toronto and one of several Canadian stock market watchers who are recommending Lawson shares.

Divisional managers have been told that any new capital investment must meet a target of a 1 to 3 per cent annual rise in production volumes, but a cut of between 3 per cent and 9 per cent a year in costs.

Mr Mattiussi has trimmed the workforce, centralised many corporate functions (such as advertising) and tried to create an employee culture which puts the company's interests above those of any individual division. Six out of nine vice-presidents have left, and a new generation of younger executives has been promoted.

On his travels, Mr Mattiussi has also been cajoling customers to co-operate in the belt-tightening in the form of lower inventories and fewer salesmen. "Half the reduction (in costs) can remain in our pockets, and half can go to our customers," Mr Mattiussi says.

He predicts that sales per employee will rise to at least C$190,000 by December, a 24 per cent improvement over the year.

Although the austerity drive and the financial restructuring are by no means complete, Lawson already has its eye on expansion. The immediate aim is to transform it into a "really European company," Mr Mattiussi says.

Earlier this month, Lawson paid Cragnotti C$13.2m in cash plus a C$51.5m interest-free bond for Cartonajes Suner, one of Spain's largest packaging groups. An acquisition is now being lined up in Italy.

These purchases give Lawson a manufacturing presence in southern Europe, but the idea is also to open up export markets for high-value flexible packaging made by its UK factories.

Lawson could end up biting off an even bigger mouthful in North America. Cragnotti is negotiating to buy the US division of Del Monte Foods from Merrill Lynch and other investors who organised a leveraged buyout of the San Francisco-based company in early 1990.

Should Cragnotti's bid succeed, it would spin off the Del Monte packaging interests to Lawson. This would double the Canadian company's business in the US, where it has only three plants specialising in detergent boxes, labels, lottery tickets and postcards.

Mr Mattiussi hopes the infusion of capital from the recent equity issue would give Lawson the strength to seek a large acquisition or merger during 1993.

One possible target is Mexico, whose packaging industry is expected to benefit greatly both from domestic growth and the opportunities presented by the North American free trade agreement. "We have to get there before the Americans," Mr Mattiussi says.

Amexco hands its card back to Ogilvy

By Alan Friedman in New York

AMERICAN Express, buffeted by image problems and by losses at its credit card division, has sacked Chiat/Day/Mojo, the advertising agency it chose less than a year ago to handle its $60m of card promotion.

The US advertising world was taken by surprise a year ago when American Express withdrew the bulk of its card business from Ogilvy & Mather, a subsidiary of the WPP Group, and switched it to Chiat.

That decision affected a 29-year relationship with Ogilvy which created the "Membership has its privileges" and the "Do you know me?" card and travellers cheque campaigns.

Now, in a complete reversal, American Express has decided to return to Ogilvy.

The change in ad agencies comes at a time when American Express is feeling more competitive pressure from low-fee bank cards and non-bank cards such as those launched recently by General Motors and General Electric. The GM card has chalked up nearly a million new holders in only a few weeks.

The big losers are the advertising staff of Chiat/Day/Mojo, the New York agency brought in to replace Ogilvy. Chiat's strategy involved ads that featured giant American Express cards in golf courses and restaurants. But the company's share of cards issued actually fell during the first half of 1992.

Ogilvy, meanwhile, has a new "merchant testimonial" campaign that features Arrigo Cipriani of Harry's Bar and other American Express merchants who speak well of the famous green card.

Chiat is still left with the account for American Express gold card in Britain. The reason, according to American Express, is that the switch back to Ogilvy concerned US rather than international advertising.

Inco cuts pay-out to 10 cents

By Bernard Simon in Toronto

THE sliding price of nickel has led Inco, the western world's largest producer, to slash its dividend by more than half, despite reporting higher third-quarter earnings.

Inco said yesterday that it had cut its dividend from 25 US cents to 10 cents. The Toronto-based company has already announced production cuts and other austerity measures, and said yesterday that additional steps may be taken.

Third-quarter earnings rose to US$10.6m, or 9 cents a share, from $4.5m, or 3 cents a share, a year earlier. Revenues dropped to $607.4m from $663.6m. The latest figures include an $18.8m charge to cover the cost of voluntary retirements at the company's Sudbury operations in Ontario.

Nickel prices realised during the third quarter slipped to $3.47 a pound from $3.90 a year earlier. But this was offset by a sharp drop in the cost of sales and operating expenses, from $560m to $488m, and a slight improvement in copper and cobalt prices.

Deliveries of nickel were almost unchanged at 112m lb in the third quarter while shipments of copper rose from 40m to 44m lb. But Inco said part of the improvement in third-quarter earnings was due to higher deliveries of metal produced at its own facilities.

Inco blamed a sharp rise in Russian exports and the delayed recovery in major industrial economies for the sinking nickel market. The London Metal Exchange three-month price has tumbled further since the end of the third quarter and is now only slightly above $2 per lb.

Strike depresses Fletcher Challenge Canada results

By Terry Hall in Wellington

FLETCHER Challenge Canada suffered a net loss of C$18.8m (US$15.08m) for the three months to September 30, compared with a loss of C$16.3m for the same period last year.

Mr Doug Whitehead, the president and chief executive officer for Canadian operations, said the result was marginally better than expected and was an improvement on the net loss of C$20.1m recorded in the preceding quarter to June 30.

Sales for the September quarter declined to C$207m from C$252m a year ago.

The decline resulted mainly from production lost during a month-long strike in the British Columbia pulp and paper industry, lower newsprint prices, and the absence of lumber production from the Hammond sawmill which was sold in December 1991.

Mr Whitehead said the improvement in the June quarter was encouraging as it was achieved in spite of the strike.

Arnotts' increase puts pressure on Campbell Soup

By Kevin Brown in Sydney

ARNOTTS, the Australian biscuit-maker, yesterday announced a sharp rise in first-quarter profits, putting more pressure on Campbell Soup, the US food company, to increase its A$8.80-a-share hostile takeover bid.

Mr Bill Purdy, Arnotts' chairman, said net profits for the three months to September 30 rose by 33.9 per cent to A$17.53m (US$12.59m) from A$13.09m a year earlier.

Mr Purdy said the board expected the increase in full-year profits to be "at least in line" with the the first quarter.

The result reflected a significant increase in earnings from Arnotts' core biscuit operations, together with a modest recovery by its Macadamia nut division.

Mr Purdy said the improvement followed restructuring, a return to core activities and the successful introduction of new products, which had led to higher productivity and better profit margins.

Turnover fell 6.5 per cent to A$186.7m, reflecting the sale of a number of loss-making businesses. The group said sales of core businesses were 7.5 per cent higher. Net profits were A$40m in the year to June 30 after abnormal restructuring costs of A$11.8m.

Campbell is seeking a 17.2 per cent stake in Arnotts to add to its existing 33 per cent shareholding. The bid values the company at A$1.2bn, but Campbell would pay only A$209m to gain control.

Arnotts shares have traded above the offer price since the bid was announced two weeks ago. The shares closed 1 cent higher on the Australian stock exchange yesterday at A$9.13.

Mr Tony Sullivan, Arnotts' finance director, said the "very good result" suggested that Campbell's offer "severely undervalues the company." He said a fair price would be more than A$11 a share.

However, Baring Brothers and Burrows, the investment bank which is advising Campbell, said the result would not force Campbell to increase its offer.

Baring said the profits were "under estimates made by several leading analysts, and are no better than the consensus figure among analysts of A$70m."

Asarco benefits from higher metals prices

By Laurie Morse in Chicago

HIGHER base metals prices and expanded copper production helped Asarco, the US integrated mining company, post earnings of $18.6m, or 45 cents per share, in the third quarter, from $10.3m, or 25 cents, in the corresponding 1991 quarter.

Sales dipped to $489.6m, compared with $493.4m in the third quarter of 1991.

Third-quarter earnings included a dividend of $2.1m from Asarco's 52.3 per cent ownership of Southern Peru Copper Corporation.

For the first nine months of the year, Asarco reported earnings of $30.4m, or 74 cents, on sales of $1.435bn. That compares with $33.7m, or 82 cents, on sales of $1.417bm for the 1991 period.

Asarco's average realised price for copper rose 9 cents in the third quarter to $1.13 per pound. Lead prices gained 6 cents to 31 cents per pound, and zinc prices rose 14 cents to 61 cents per pound. The company said it saw declines in its average prices for gold and silver.

The company indicated that fourth-quarter results could weaken since prices for copper, lead, zinc, and silver had declined since the end of the third quarter.

Profits at Sharp fall by 36% to Y26bn

By Steven Butler in Tokyo

SHARP, the Japanese electronics company, yesterday reported a 36.2 per cent fall in parent pre-tax profits to Y26.27bn ($215.32m) in the first half to September, reflecting the decline in the world's electronics industry.

Sharp will be followed today by a clutch of other electronics companies, including NEC, Fujitsu and Matsushita Electric Industrial, whose interim results are likely to be much worse.

Sharp's fall was stemmed by relatively strong sales of office and industrial equipment and electronic components, including liquid crystal display screens, where Sharp is the world's leading manufacturer. Sales in this area advanced by 5 per cent to Y285.8bn.

Total sales fell 3.4 per cent to Y583.6bn, led by a 6.4 per cent decline in domestic sales to Y304.4bn.

Sales of television and video equipment were down 11.6 per cent to Y134bn. Audio and communication equipment sales fell by 21 per cent to Y56.2bn. Home appliance sales were relatively stable, off 1 per cent to Y107bn.

Net profits dropped by 39 per cent to Y14.5bn.

Sharp said the current difficult business conditions were likely to continue. The company projected full-year pre-tax profits of Y53bn, a fall of 25 per cent.

Scott divests its non-wovens arm

SCOTT Paper, the US paper group, has sold its bulk non-wovens business to FiberTech Group, a private company based in South Carolina, AP-DJ reports from Philadelphia. The price was not disclosed, but Scott said the net after-tax proceeds of about $70m would be used mainly to reduce debt. Scott said the sale continued its plan to concentrate on its core businesses - personal care and cleaning, and quality coated papers.

Tokyo's stores lament loss of big spenders

The older, luxury shops have been hit particularly hard, reports Charles Leadbeater

THREE times a day, a gaggle of mostly elderly people gather at the heart of Mitsukoshi's flagship store in the historic heart of Tokyo's Nihombashi district to listen to a recital on the shop's mighty 800-pipe organ.

The same man has played the organ for the past 40 years. His audience's loyalty is a symbol of the enduring role Mitsukoshi plays in Japanese retailing.

Mitsukoshi originated the idea of the Japanese department store in the late 17th century as a place where shoppers could buy almost anything. A store is meant to provide all-round entertainment - music, restaurants, cinemas, at Mitsukoshi a theatre and at Seibu a children's playground - in order to attract shoppers.

The trouble is that since last spring people have been pouring through the stores in their millions but have been buying less and less.

Sales at Tokyo department stores fell 8.7 per cent last month compared with last year, the seventh consecutive monthly fall and the sharpest yearly fall since statistics began to be collected in 1965, apart from the drop in April 1989 induced by the introduction of a consumption tax.

The drop in demand comes after five years of unprecedented growth that encouraged many, including Mitsukoshi into costly expansions that will take much longer than expected to pay off.

Mitsukoshi has invested about Y200bn ($1.64bn) in the past five years, while Tobu spent Y100bn on its main store in Ikebukuro on the outskirts of central Tokyo. Sales as Mitsukoshi's newest store in the Shinjuku area of central Tokyo are 30 per cent down on plans.

Few executives in the industry expect the downturn to end soon. Mr Isao Kubokawa, Tobu's managing director, explained: "This recession could be more serious and last longer than other recessions. One reason is that this recession involves banks and real estate companies which have never been in recession before, as well as the car and electronics industries which have not usually suffered."

Foodhall at Mitsukoshi: people are turning to cheaper supermarkets

The sales decline started last year with luxury goods - art and jewellery - which were fashionable in the years of the Japanese bubble economy.

This has hit particularly the older luxury stores such as Takashimaya and Mitsukoshi, where the top-floor luxury goods department is deserted, the calm rarely ruffled by customers. It is a ghostly reminder of the hey-day of the bubble economy.

By this spring, overall sales started to fall because consumers cut back on more everyday purchases, particularly clothes.

Throughout the retail sector people are trading down to buy cheaper goods. Mr Kubokawa said: "They would have bought four shirts, now they are buying only one, and they are looking for cheaper shirts."

An executive of Isetan, the most fashionable of the stores, says that younger consumers are buying casual clothes rather than the expensive designer brands which were fashionable in the late 1980s.

In August, the decline started to affect staples such as the food sold in the expansive basements below the stores as people turned to cheaper supermarkets.

The fall in sales is having an alarming impact on department store finances.

For example, Isetan expects sales this year to be below last year, the first annual decline in its 106-year history. It expects profits to fall for the second year running, the worst results since the recessions of the mid-1970s.

Tobu expects its investment in Ikebukuro will now take up to six years to pay off compared with the original two years.

As yet the stores have taken only tentative steps to cut costs. At Tobu, which has a wealthy parent in the form of the private Tobu railway, Mr Kubokawa said: "We have to be patient. Costs will be cut through natural wastage over the next three years."

Mitsukoshi, which is more financially vulnerable, is cutting management jobs by 30 per cent and severely reducing executive bonuses.

With costs being cut at a much slower rate than sales are falling, it is inevitable that department store profits will continue to fall this year and possibly next year as well.

What might distinguish the younger more dynamic stores such as Tobu, Seibu and Isetan is their determination to respond by more aggressive marketing. They are all stress value for money, where two years ago they were selling designer chic.

Tobu has introduced an own-label brand of cheaper products to catch consumers as they trade down to cheaper goods.

Isetan's energetic management is implementing a medium-term plan to stress profit growth rather than sales growth.

The heart of Tokyo has long since shifted away from Mitsukoshi's home - the conservative, traditional low city of Nihombashi - towards the the neon wonderlands in the outlying consumer-commuter conurbations of Shibuya and Shinjuku in the high city, on the hills at the edge of Tokyo.

This recession will hasten a similar shift in the department store industry as leadership shifts from the older, slower moving famous names to the young pretenders in search of their crowns.

Lower interest rates boost Quebecor

By Robert Gibbens in Montreal

QUEBECOR Printing, North America's second-largest commercial printer, was helped by rising efficiency, lower interest costs and lower taxes to a 71 per cent gain in net profit for the first nine months of 1992.

The group, controlled by Quebecor, the Montreal-based publisher, posted earnings of $36m, or 74 cents a share, against $21m, or 52 cents, a year earlier on revenues of $1.05bn, compared with $998m.

Third-quarter net profit was $16.9m, or 32 cents a share, against $11.4m, or 29 cents, a year earlier on revenues of $360m, up from $346m. The company made one acquisition during the quarter.

The group operates in all major sectors of commercial printing from inserts and directories to bank notes. With acquisition of the former Maxwell Graphics two years ago, two-thirds of its business is in the US.

● Bramalea, the property group controlled by the Bronfman family of Toronto, has another three weeks to modify its five-year restructuring plan to satisfy senior debenture holders.

A six-hour meeting in Toronto last week with the holders of C$525m (US$423.30m) of debentures was adjourned to November 19.

The restructuring is designed to deal with the company's total debt of more than C$4bn.

Court continues hearing on future of NY Daily News

By Alan Friedman in New York

THE FUTURE of The New York Daily News, the loss-making tabloid that was once owned by the late Mr Robert Maxwell, remained unresolved yesterday morning as a New York bankruptcy court began a third day of hearings.

The hearings, which began last Thursday, were supposed to result in a ruling on the bid for the newspaper from Mr Mortimer Zuckerman, the owner of the weekly US News and World Report magazine and The Atlantic, a monthly magazine.

Although Mr Zuckerman's chances have been good since the withdrawal recently of Mr Conrad Black, the Canadian newspaper proprietor, his bid has run into problems concerning newspaper's typographers' union.

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Gencor falls 10% in year of weak commodity prices

By Philip Gawith in Johannesburg

GENCOR, South Africa's second-largest mining house, yesterday announced a 10 per cent fall in attributable profits for the year to the end of August.

The results reflect the weak international commodity markets which impacted particularly on Gencor's mining operations, where attributable profits fell by 21.5 per cent.

Mr Brian Gilbertson, executive chairman, said that, considering the difficult commercial environment, the group had done well to limit the fall in underlying operating profits – excluding one-off items – to 1 *per cent, down to R1.17bn* ($399m).

Taking into account one-off *items, transaction surpluses* and an increase in the number of shares issued following a R2bn rights issue in February, total attributable profits fell by 10 per cent to R1.26bn from R1.40bn and earnings per share by 17 per cent to 98.8 cents from 119.5 cents. The dividend was increased to 45 cents per share from 43 cents.

A divisional breakdown of contribution to attributable profits shows that the mining, metals and minerals arm, Genmin, contributed R391m, or 32 *per cent; Sappi, the forest prod*ucts group, R189m, or 15 per cent; Malbak, the industrial arm, R131m, or 10 per cent; Engen, the energy group, R259m, or 20 per cent; and investment arm Genbel, and *other investments, R317m, or* 25 per cent.

Mr Gilbertson said that with few exceptions the average export prices received were well down on the levels in the previous year. The limited depreciation of the rand against the dollar was not sufficient to offset the effects of domestic inflation.

He said decisions on the two large capital projects the group has on the drawing board – the R6.7bn Alusaf aluminium *smelter project, and the R2.5bn* Columbus stainless steel joint venture – were "imminent".

He was confident of a "fair degree" of local institutional support for Alusaf, which is seeking to raise R1.2bn.

Mr Gilbertson confirmed that unbundling of Gencor remained a "distinct possibility", but it was on hold pending clarification on as marketable securities tax.

New proposals to govern foreign equity offerings

By Brian Bollen

THE International Primary Market Association has announced important changes to its recommendations for international equity and debt offerings.

IPMA says the recommendations amount to a new code of conduct *for international* equity offerings. "We believe we have come up with a credible code of conduct for equities to match our debt code," said Mr Dirk Hazell, secretary-general of IPMA.

Two levels of disclosure are required of the lead-manager, covering corporate and market information. One is for countries from within "specified jurisdictions" – EC and EFTA countries, the US, Japan, Canada, Australia and New Zealand – and a stricter one for offerings from developing countries.

The main effects for debt and equity-related debt instruments will be to increase further the transparency of the lead manager's operation of stabilisation; reduce the period within which fees are to be paid to 30 days from 45 days – where they are not payable on closing; and to abolish the *grace period of 14 days for* interest on late payment of fees. They apply from November 16.

Goodman unit to sell retail activities

By Kevin Brown in Sydney

GOODMAN Fielder Wattie, the Australian foods group, said Cold Storage Holdings (CSH), its quoted Singapore subsidiary, had agreed to sell its retail businesses to Dairy Farm International for A$113m (US$146.9m).

The sale is significant *because it marks Goodman's* exit from retail activities as part of its strategy of concentrating on developing core manufacturing businesses in Australia, Asia and Europe.

The deal, which includes 10 supermarkets, 48 pharmacies and 67 convenience stores, will realise an extraordinary gain of A$49m for CSH, which is 64 per cent owned by Goodman.

Goodman said the proceeds *of the sale would be used to* help finance investment of about A$200m over the next three years to expand the group's manufacturing capacity in Singapore, Indonesia, the Philippines and Malaysia.

Mr Michael Nugent, Goodman's chief executive, said the sale price represented "a significant premium" for the retail operations.

"Strategically, the sale is very significant for Goodman *because it signals our exit* from non-core retail activities and allows us to pursue our strategy in Asia," he said.

CSH will retain its Sunshine bakery business in Singapore, as well as a number of other food manufacturing, wholesaling and distribution businesses in Singapore and neighbouring countries.

The sale is the latest element in a restructuring intended to sharpen Goodman's manufacturing focus following a series of disappointing results.

The group recently sold its Wattie's business in New Zealand to Heinz, the US food group, for NZ$566m *(US$314m). It has also* acquired manufacturing companies in Australia and Europe.

Korean companies press for foreign funds

Sara Webb on growing demands for easier access to international capital markets

KOREAN companies are no strangers to international capital markets. Since the mid-1980s, Korea's largest corporate names have launched a growing number of issues of convertible bonds, bonds with warrants and, more recently, yankee bonds. In doing so, they have taken advantage of the cheaper borrowing costs and longer maturity of funds available in international capital markets.

But, *as Korea's Ministry* of Finance proceeds cautiously with financial liberalisation, Korean companies are pressing for further freedom to tap international markets.

Many want controls on overseas borrowing to be lifted to reduce their funding costs and improve the international competitiveness of their products when Korea needs to boost export growth.

Under current regulations, Korean companies may only tap *international capital* markets if the proceeds are used for investment in overseas operations or for financing imports of advanced foreign technology. In other words, they cannot borrow cheaply abroad and repatriate the funds to finance domestic operations.

Mr Chang-Lok Kim, director of international finance at the Finance Ministry, says: "Our chief concern is that the money [raised abroad] would be transferred back to Korea and would increase the money supply." The government wants to keep money supply growth – measured by M2 – at about 18.5 per cent.

But the ministry is aware of companies' funding concerns. Mr Kim adds: "Our ultimate goal is to allow Korean companies to borrow abroad to support their domestic operations because we would like to see the free movement of capital.

"The problem is: how do we reconcile allowing the money to support their domestic operations without it having an impact on the domestic money supply?"

Until the Finance Ministry allows the free movement of capital, companies must apply for permission to raise funds abroad and then queue up to wait their turn. One investment banker in Seoul says: *"The demand for funds greatly* exceeds the amount permitted by the ministry."

It is not difficult to see why demand should be so great. Domestic sources of financing are difficult to obtain or relatively expensive.

Prices on the South Korean stock market have been falling steadily over about the last three years. The Korea Stock Price Index (KOSPI) has tumbled from a high of 1,007.77 on April 1 1989 to a low of 459.07 on August 21 this year, although it has since climbed back up to close at 582.74 yesterday. Investors, disenchanted with the performance of their equity holdings, are therefore less willing to stump up cash for new share issues.

Bank loans are available, but not always easy to obtain, as banks must meet government credit allocation guidelines.

In the domestic bond market, yields on corporate issues are around 15 to 16 per cent, which is high by international standards. Added to this, most corporate bond issues have a maximum maturity of only three years.

Korean companies – many heavily indebted already, with gearing ratios of about 350 per cent on average – complain of the shortage of funds and high cost of borrowing.

Samsung Electronics, Korea's *largest* electronics company is one case. If it borrows on the domestic bond market, the cost of funds is likely to approach 17 per cent, once domestic interest rates and underwriting and bank guarantee fees are included.

But if it borrows in international capital markets, it estimates the cost of funding would be 8.5 to 9.0 per cent, taking into account the yield on its paper and the forecast depreciation of the won.

Samsung spends about $900m a year on research and development, of which Samsung Electronics accounts for the lion's share – an estimated $650m. Mr Young-Key Hwang, executive director and group treasurer at Samsung, says: "The availability of funds is one of our main problems, as well as the cost of funds."

Mr Hwang argues that Korean companies that produce high-technology goods – such as Samsung Electronics – are not competing so much with the domestic companies as with the international names, such as Sony and Hitachi. "We *are the largest R & D spender* in Korea – we realise it is the only way we can survive the 1990s," he says.

Other research-intensive companies, such as Hyundai Motor, would also like to see greater freedom to raise funds in the international markets. "We would like to be able to use the proceeds from international financings for our [domestic] expansion programme, and we do not think that would hurt the economy," says Mr Bang-Joo Lee, managing director of Hyundai Motor Company. He adds this would allow Hyundai to compete more effectively with foreign manufacturers.

Both Hyundai Motor and Samsung Electronics plan to raise money in the international markets shortly. Hyundai hopes to raise $150m in global depository receipts next month, using the money to buy high-tech equipment from Japan for the development of its third generation of Excel cars.

Meanwhile, Samsung Electronics is preparing to sell $200m of 10-year bonds in the US and to use the proceeds to import semi-conductor manufacturing equipment from the US, Japan and Germany. The issue is expected to be a 144A placement, which has fewer disclosure and SEC regulatory requirements than does a straight public bond issue. The company hopes to be able to raise funds at rates close to those in the public bond market.

Samsung Electronics will be *the first Korean company to* launch such a bond issue since the Finance Ministry opened the door to this form of borrowing in September. Investment bankers in Seoul hope that other Korean companies will follow suit and use the 144A placement route in future, especially if existing limits on overseas financing are eventually lifted.

CBOT may offer link with Cincinnati exchange

By Laurie Morse in Chicago

THE Chicago Board of Trade (CBOT), the world's largest futures exchange, is negotiating to link its new electronic trading terminals to an over-the-counter stock trading network operated by the Cincinnati Stock Exchange.

The deal would be a first for a US futures exchange, and demonstrates that the CBOT is making aggressive plans to expand beyond its traditional futures and options businesses.

The announcement was made at the launch of the *CBOT's Project A*, a local electronic trading system that will trade during the CBOT's regular market hours.

Initially, the exchange is offering futures on barge freight, two varieties of zero coupon bonds, and an option on long bonds on Project A. However, Mr William O'Connor, CBOT chairman, says the system will be used to list a variety of non-traditional products, and provide access for CBOT members to markets for cash government securities and stocks. The Cincinnati Exchange does not have a trading floor, and operates entirely through a "black box" computer system. It is an affiliate of the CBOT's neighbour, the Chicago Board Options Exchange. CBOE members own the majority of the seats on the Cincinnati exchange.

Plan to extend life of marginal SA gold mine

By Philip Gawith

WESTERN Deep Levels (WDL) and neighbouring Blyvooruitzicht (Blyvoor), two South African gold mines, have reached an agreement which should extend the troubled Bylvoor's life by about eight years.

The logic of the deal, which involves Blyvoor mining 92 hectares of the WDL lease area, is that Blyvoor has easier access to the area covered by the deal than WDL.

Working profits and capital expenditure will be shared, with WDL, which is owned by Anglo American, receiving 55 per cent and Blyvoor 45 per cent.

Sales and earnings slide at top Japanese paper groups

By Emiko Terazono in Tokyo

OJI Paper and Jujo Paper, two leading Japanese *paper manu*facturers, are being hit by weak demand for newsprint and high-quality paper for financial institutions.

Yesterday they announced falls in non-consolidated sales and earnings for the first six months to September (see table).

For the full year, Oji forecasts pre-tax profits will fall 8.1 per cent to Y11.4bn ($93.4m) on *a 3.7 per cent fall in sales to* Y458bn.

Jujo, which is to merge with Sanyo-Kokusaku Pulp in April, expects full-year pre-tax profits to rise 3.3 per cent to Y7bn, on lower imported material costs and a cut in interest payments. But it sees a 1.8 per cent fall in sales to Y385bn.

JAPANESE PAPER COMPANIES
(Half-year results to September 30 1992)

	Sales (Ybn)	Change %	Pre-tax profits	Change %	Net profits	Change %
Oji Paper	227.07	-5.5	5.4	-22.9	3.9	-24.2
Jujo Paper	190.19	-4.0	2.9	-20.6	1.5	-22.1

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 27.10.92: Pool purchase price £/MWh	Final Prices for Trading on 20.10.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.93	17.72	17.72
0100	23.97	17.72	17.72
0130	23.97	17.72	17.72
0200	23.97	17.72	17.72
0230	23.46	17.72	17.72
0300	20.35	17.72	17.72
0330	18.93	17.72	17.72
0400	17.72	17.72	17.72
0430	17.72	17.72	17.72
0500	17.73	17.72	17.72
0530	17.93	17.66	17.66
0600	17.93	17.59	17.59
0630	18.93	17.66	17.66
0700	23.92	22.42	25.69
0730	24.51	25.03	28.37
0800	24.52	27.51	30.88
0830	24.77	27.75	31.07
0900	28.34	27.75	31.08
0930	26.39	27.51	30.81
1000	28.41	27.51	30.81
1030	26.38	27.51	30.78
1100	26.35	25.39	28.58
1130	26.36	25.39	28.58
1200	26.35	25.39	28.58
1230	26.33	25.39	28.58
1300	26.29	25.39	28.59
1330	21.94	25.39	28.60
1400	21.89	21.50	21.50
1430	21.88	21.50	21.50
1500	21.57	21.28	21.28
1530	21.59	25.39	28.61
1600	22.45	25.39	28.61
1630	31.03	25.39	28.59
1700	76.78	25.39	28.57
1730	93.88	25.39	28.57
1800	88.24	25.39	28.58
1830	53.50	21.70	21.70
1900	32.99	22.00	22.00
1930	28.83	29.97	33.28
2000	26.36	29.97	33.25
2030	26.28	29.97	33.26
2100	24.52	29.97	33.29
2130	24.51	29.97	33.32
2200	24.23	25.39	28.64
2230	24.21	23.58	26.80
2300	20.37	23.58	26.63
2330	18.93	21.25	21.25
2400	18.18	17.72	17.72

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.

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FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, October 26, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	62.5393	40.6345	51.2919
Albania	(Lek)	173.965	109.619	71.2241	89.9043
Algeria	(Dinar)	33.9548	21.3955	13.9016	17.5477
Andorra	(Fr Fr)	8.2750	5.2142	3.3879	4.2764
	(Sp Peseta)	172.65	108.79	70.6857	89.2248
Angola	(Kwanza)	950.40	598.866	389.11	491.163
Antigua	(E Carr $)	4.2701	2.6906	1.7482	2.2067
Argentina	(Peso)	1.5720	0.9905	0.6436	0.8124
Aruba	(Florin)	2.8309	1.7838	1.159	1.4629
Australia	(Aus $)	2.2210	1.3994	0.9093	1.1478
Austria	(Schilling)	17.115	10.7844	7.0071	8.8449
Azores	(Port Escudo)	217.70	137.177	89.1299	112.506
Bahamas	(Bahama $)	1.5870	1	0.6497	0.8201
Bahrain	(Dinar)	0.6089	0.3836	0.2492	0.3146
Balearic Is	(Sp Peseta)	172.65	108.79	70.6857	89.2248
Bangladesh	(Taka)	63.4194	39.9618	25.9649	32.7748
Barbados	(Barb $)	3.1809	2.0043	1.3023	1.6438
Belgium	(Belg Fr)	50.20	31.632	20.5527	25.9431
Belize	(B $)	3.1630	1.993	1.2949	1.6346
Benin	(CFA Fr)	413.75	260.712	169.396	213.824
Bermuda	(Bermudian $)	1.5870	1	0.6497	0.8201
Bhutan	(Ngultrum)	45.00	28.3553	18.4237	23.2558
Bolivia	(Boliviano)	6.3655	4.011	2.6061	3.2896
Botswana	(Pula)	3.4279	2.1599	1.4034	1.7715
Brazil	(Cruzeiro)	12045.60	7590.17	4931.67	6225.12
Brunei	(Brunei $)	2.5723	1.6208	1.0531	1.3293
Bulgaria	(Lev)	43.00	27.0951	17.6049	22.2222
Burkino Faso	(CFA Fr)	413.75	260.712	169.396	213.824
Burma	(Kyat)	11.3075	7.125	4.6294	5.8436
Burundi	(Burundi Fr)	362.52	228.431	148.422	187.349
Cambodia	(Riel)	3163.00	1993.07	1294.98	1634.63
Cameroon	(CFA Fr)	413.75	260.712	169.396	213.824
Canada	(Canadian $)	1.9855	1.2511	0.8128	1.026
Canary Is	(Sp Peseta)	172.65	108.79	70.6857	89.2248
Cp. Verde	(CV Escudo)	99.0493	62.4129	40.5524	51.1882
Cayman Is	(CI $)	1.3443	0.847	0.5503	0.6947
Cent. Afr. Rep	(CFA Fr)	413.75	260.712	169.396	213.824
Chad	(CFA Fr)	413.75	260.712	169.396	213.824
Chile	(Chilean Peso)	593.58	374.026	243.021	306.76
China	(Renminbi Yuan)	9.0216	5.6846	3.6935	4.6623
Colombia	(Col Peso)	936.19	589.912	383.292	483.819
CIS ‡	(Rouble)	0.9453o	0.5956	0.387	0.4885
		595.61m	375.306	243.853	307.809
Comoros	(CFA Fr)	413.75	260.712	169.396	213.824
Congo (Brazz)	(CFA Fr)	413.75	260.712	169.396	213.824
Costa Rica	(Colon)	215.6692	135.897	88.2985	111.457
Côte d'Ivoire	(CFA Fr)	413.75	260.712	169.396	213.824
Croatia	(Dinar)	681.5726	429.472	279.047	352.234
Cuba	(Cuban Peso)	1.1978	0.7547	0.4903	0.619
Cyprus	(Cyprus £)	0.7290	0.4593	0.2984	0.3767
Czechoslovakia	(Koruna)	45.15c	28.4499	18.4851	23.3333
		43.32t	27.2967	17.7359	22.3875
Denmark	(Danish Kroner)	9.3625	5.8994	3.8331	4.8385
Djibouti Rep	(Djib Fr)	285.00	179.584	116.684	147.287
Dominica	(E Carrib $)	4.2701	2.6906	1.7482	2.2067
Dominican Rep	(D Peso)	20.1958	12.7257	8.2684	10.4371
Ecuador	(Sucre)	2977.17o	1875.97	1218.9	1538.59
		3163.00a	1993.07	1294.98	1634.63
Egypt	(Egyptian £)	5.2433	3.3039	2.1466	2.7097
El Salvador	(Colon)	13.8381	8.7196	5.6655	7.1514
Equat'l Guinea	(CFA Fr)	413.75	260.712	169.396	213.824
Estonia	(Kroon)	19.5360	12.31	7.9983	10.0962
Ethiopia	(Ethiopian Birr)	7.8248	4.9305	3.2036	4.0438
Falkland Is	(Falk £)	1.00	0.6301	0.4094	0.5167
Faroe Is	(Danish Kroner)	9.3625	5.8994	3.8331	4.8385
Fiji Is	(Fiji $)	2.4018	1.5134	0.9833	1.2412
Finland	(Markka)	7.7130	4.8601	3.1578	3.986
France	(Fr)	8.2750	5.2142	3.3879	4.2764
Fr. Cty/Africa	(CFA Fr)	413.75	260.712	169.396	213.824
Fr. Guiana	(Local Fr)	8.2750	5.2142	3.3879	4.2764
Fr. Pacific Is	(CFP Fr)	150.00	94.5179	61.4124	77.5193
Gabon	(CFA Fr)	413.75	260.712	169.396	213.824
Gambia	(Dalasi)	13.1265	8.2712	5.3742	6.7837
Germany	(D-Mark)	2.4425	1.539	1	1.2622
Ghana	(Cedi)	773.0873	487.138	316.515	399.528
Gibraltar	(Gib £)	1.00	0.6301	0.4094	0.5167
Greece	(Drachma)	315.525	198.819	129.181	163.062
Greenland	(Danish Krone)	9.3625	5.8994	3.8331	4.8385
Grenada	(E Carr $)	4.2701	2.6906	1.7482	2.2067
Guadaloupe	(Local Fr)	8.2750	5.2142	3.3879	4.2764
Guam	(US $)	1.5870	1	0.6497	0.8201
Guatemala	(Quetzal)	8.3345	5.2517	3.4122	4.3072
Guinea	(Fr)	1284.64	809.477	525.953	663.897
Guinea-Bissau	(Peso)	7907.50	4982.67	3237.46	4086.56
Guyana	(Guyanese $)	198.4624	125.055	81.2537	102.565
Haiti	(Goude)	16.6374	10.4835	6.8116	8.5981
Honduras	(Lempira)	9.3625	5.8994	3.8331	4.8385
Hong Kong	(HK $)	12.2588	7.7245	5.0189	6.3352
Hungary	(Forint)	125.90	79.332	51.5455	65.0645
Iceland	(Icelandic Krona)	91.4530	57.6263	37.4423	47.2625
India	(Indian Rupee)	45.00	28.3553	18.4237	23.2558
Indonesia	(Rupiah)	3318.50	2091.05	1358.65	1714.99
Iran	(Rial)	2316.00v	1459.36	948.209	1196.9
		104.15o	65.6269	42.6407	53.8242
Iraq	(Iraqi Dinar)	0.5936	0.374	0.243	0.3067
Irish Rep	(Punt)	0.9355	0.5894	0.383	0.4834
Israel	(Shekel)	3.9711	2.5022	1.6258	2.0522
Italy	(Lira)	2108.50	1328.61	863.255	1089.66
Jamaica	(Jamaican $)	35.0740	22.1008	14.3598	18.126
Japan	(Yen)	193.50	121.928	79.2221	100
Jordan	(Jordanian Dinar)	1.0880	0.6855	0.4454	0.5622
Kenya	(Kenya Shilling)	55.1153	34.7292	22.5651	28.4833
Kiribati	(Australian $)	2.2210	1.3994	0.9093	1.1478
Korea North	(Won)	3.4002	2.1425	1.392	1.7572
Korea South	(Won)	1264.85	797.007	517.851	653.669
Kuwait	(Kuwaiti Dinar)	0.47050	0.2964	0.1926	0.2431
Laos	(New Kip)	1130.77	712.52	462.956	584.377
Lebanon	(Lebanese £)	3189.60	2009.83	1305.88	1648.37
Lesotho	(Maluti)	4.6773	2.9472	1.9149	2.4172
Liberia	(Liberian $)	1.5870	1	0.6497	0.8201
Libya	(Libyan Dinar)	0.4397	0.277	0.18	0.2272
Liechtenstein	(Swiss Fr)	2.1700	1.3673	0.8884	1.1214
Luxembourg	(Lux Fr)	50.20	31.632	20.5527	25.9431
Macao	(Pataca)	12.6276	7.9568	5.1699	6.5258
Madagascar	(MG Fr)	2725.95	1717.67	1116.05	1408.76
Madeira	(Port Escudo)	217.70	137.177	89.1299	112.506
Malawi	(Kwacha)	6.5158	4.1057	2.6676	3.3673
Malaysia	(Ringgit)	3.9750	2.5047	1.6274	2.0542
Maldive Is	(Rufiya)	18.2110	11.4751	7.4558	9.4113
Mali Rep	(CFA Fr)	413.75	260.712	169.396	213.824
Malta	(Maltese £)	0.5145	0.3241	0.2106	0.2658
Martinique	(Local Fr)	8.2750	5.2142	3.3879	4.2764
Mauritania	(Ouguiya)	168.22	105.999	68.872	86.9354
Mauritius	(Maur Rupee)	24.9670	15.7321	10.2219	12.9028
Mexico	(Mexican Peso)	4922.12	3101.52	2015.2	2543.73
Miquelon	(Local Fr)	8.2750	5.2142	3.3879	4.2764
Monaco	(French Fr)	8.2750	5.2142	3.3879	4.2764
Mongolia	(Tugrik)	63.2600	39.8613	25.8996	32.6925
Montserrat	(E Carr $)	4.2701	2.6906	1.7482	2.2067
Morocco	(Dirham)	13.2160	8.3276	5.4108	6.8299
Mozambique	(Metical)	4310.43	2716.09	1764.76	2227.61
Namibia	(S A Rand)	4.6773	2.9472	1.9149	2.4172
Nauru Is	(Australian $)	2.2210	1.3994	0.9093	1.1478
Nepal	(Nepalese Rupee)	73.7453	46.4683	30.1925	38.1112
Netherlands	(Guilder)	2.7450	1.7296	1.1238	1.4186
N'nd Antilles	(A/Guilder)	2.8309	1.7838	1.159	1.4629
New Zealand	(NZ $)	2.9355	1.8497	1.2018	1.517
Nicaragua	(Gold Cordoba)	8.5875	5.4111	3.5158	4.4379
Niger Rep	(CFA Fr)	413.75	260.712	169.396	213.824
Nigeria	(Naira)	30.7602	18.45	12.5937	15.8967
Norway	(Nor. Krone)	9.9675	6.2807	4.0808	5.1511
Oman	(Rial Omani)	0.6218	0.3918	0.2545	0.3213
Pakistan	(Pak. Rupee)	37.00	23.3144	15.1484	19.1214
Panama	(Balboa)	1.5870	1	0.6497	0.8201
Papua New Guinea	(Kina)	1.5357	0.9676	0.6287	0.7936
Paraguay	(Guarani)	2459.23	1549.61	1006.85	1270.92
Peru	(New Sol)	2.5200	1.5879	1.0317	1.3023
Philippines	(Peso)	35.00	22.0541	14.3295	18.0878
Pitcairn Is	(£ Sterling)	1.00	0.6301	0.4094	0.5167
	(NZ $)	2.9355	1.8497	1.2018	1.517
Poland	(Zloty)	23773.00	14979.8	9733.06	12285.8
Portugal	(Escudo)	217.70	137.177	89.1299	112.506
Puerto Rico	(US $)	1.5870	1	0.6497	0.8201
Qatar	(Riyal)	5.8786	3.7042	2.4067	3.038
Reunion Is. de la	(F/Fr)	8.2750	5.2142	3.3879	4.2764
Romania	(Leu)	677.79q	427.089	277.498	350.279
Rwanda	(Fr)	234.60	147.826	96.0491	121.24
St Christopher	(E Carr $)	4.2701	2.6906	1.7482	2.2067
St Helena	(£)	1.00	0.6301	0.4094	0.5167
St Lucia	(E Carr $)	4.2701	2.6906	1.7482	2.2067
St Pierre	(French Fr)	8.2750	5.2142	3.3879	4.2764
St Vincent	(E Carr $)	4.2701	2.6906	1.7482	2.2067
San Marino	(Italian Lira)	2108.50	1328.61	863.255	1089.66
Sao Tome	(Dobra)	379.560	239.168	155.398	196.155
Saudi Arabia	(Riyal)	6.0565	3.8163	2.4796	3.1299
Senegal	(CFA Fr)	413.75	260.712	169.396	213.824
Seychelles	(Rupee)	7.8500	4.9464	3.2139	4.0568
Sierra Leone	(Leone)	798.85	503.371	327.062	412.842
Singapore	($)	2.5723	1.6208	1.0531	1.3293
Slovenia	(Tolar)	143.31	90.3024	58.6734	74.062
Solomon Is	($)	4.7170	2.9722	1.9312	2.4377
Somali Rep	(Shilling)	3985.38	2511.27	1631.68	2059.63
South Africa	(Rand)	4.6773c	2.9472	1.9149	2.4172
		6.7853g	4.2755	2.778	3.5066
Spain	(Peseta)	172.65	108.79	70.6857	89.2248
Spanish Ports in N Africa	(Sp Peseta)	172.65	108.79	70.6857	89.2248
Sri Lanka	(Rupee)	67.00	42.218	27.4309	34.6253
Sudan Rep	(Dinar)	15.815	9.9653	6.4749	8.1731
Surinam	(Guilder)	2.8230	1.7788	1.1557	1.4589
Swaziland	(Lilangeni)	4.6773	2.9472	1.9149	2.4172
Sweden	(Krona)	9.1725	5.7797	3.7553	4.7403
Switzerland	(Fr)	2.1700	1.3673	0.8884	1.1214
Syria	(£)	35.55	22.4007	14.5547	18.372
Taiwan	($)	40.2250	25.3465	16.4687	20.7881
Tanzania	(Shilling)	506.08	318.891	207.198	261.54
Thailand	(Baht)	40.125	25.2835	16.4278	20.7364
Togo Rep	(CFA Fr)	413.75	260.712	169.396	213.824
Tonga Is	(Pa Anga)	2.2210	1.3994	0.9093	1.1478
Trinidad/Tobago	($)	7.1958	4.5342	2.946	3.7187
Tunisia	(Dinar)	1.4108	0.8889	0.5776	0.729
Turkey	(Lira)	12567.48	7919.02	5145.33	6494.82
Turks & Caicos	(US $)	1.5870	1	0.6497	0.8201
Tuvalu	(Australian $)	2.2210	1.3994	0.9093	1.1478
Uganda	(New Shilling)	1856.2540	1169.66	759.981	959.304
U A E	(Dirham)	5.9170	3.7284	2.4225	3.0578
United Kingdom	(£)	1.00	0.6301	0.4094	0.5167
United States	(US $)	1.5870	1	0.6497	0.8201
Uruguay	(Peso)	5263.23	3316.47	2154.85	2720.02
Vanuatu	(Vatu)	181.50	114.367	74.3091	93.7984
Vatican	(Lira)	2108.50	1328.61	863.255	1089.66
Venezuela	(Bolivar)	120.7475	76.0853	49.436	62.4018
Vietnam	(Dong)	17198.81	10837.3	7041.48	8888.27
Virgin Is-British	(US $)	1.5870	1	0.6497	0.8201
Virgin Is-US	(US $)	1.5870	1	0.6497	0.8201
Western Samoa	(Tala)	3.8829	2.4466	1.5897	2.0066
Yemen (Rep of)	(Rial)	26.0948	16.4428	10.6836	13.4856
Yemen (Rep of)	(Dinar)	0.7354	0.4633	0.301	0.38
Yugoslavia	(New Dinar)	325.00	204.789	133.06	167.959
Zaire Rep	(Zaire)	2391600.00	1506994	979161	1235969
Zambia	(Kwacha)	317.8815	200.303	130.146	164.28
Zimbabwe	($)	8.2475	5.1969	3.3766	4.2622

Special Drawing Rights October 23, 1992 United Kingdom £0.874413 United States $1.42372 Germany D Mark 2.16007 Japan Yen171.914
European Currency Unit Rates October 26, 1992 United Kingdom £0.805806 United States $1.27559 Germany D Mark 1.96569 Japan Yen156.260

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; ‡ CIS applies to states in the Rouble Zone. Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday October 26, 1992

INTERNATIONAL CAPITAL MARKETS

NTT five-year deal favourably received

By Tracy Corrigan and Brian Bollen

THREE Eurodollar bond offerings emerged yesterday, as borrowers rushed to take advantage of swap opportunities at the short end of the market.

Expectations that dollar interest rates are set to rise soon have increased the number of fixed-rate payers keen to lock in rates in the swap market, causing three-year swap spreads to widen sharply.

INTERNATIONAL BONDS

Investor demand for dollar securities remains rather slim, due to the soft tone of the US bond market, although some European retail investors are said to be showing an interest in the sector as a means of taking a view on the currency.

Of yesterday's three new issues, Nippon Telegraph & Telephone's $200m five-year deal via J.P. Morgan, priced to yield 44 basis points over the comparable US Treasury, fared the best. The deal was considered fairly priced for a relatively rare, top-quality borrower and avoided the overloaded three-year area of the market, where attractive swap spreads have focused attention.

Finnish Export Credit's $200m three-year deal via Goldman Sachs was considered fairly priced at 99 basis points over the curve, but Finnish credits are currently a difficult sell. Crédit Local de France also tapped the three-year area, with a $200m offering priced at 42 basis points over the curve, which met sluggish demand.

Of the recent batch of three-year offerings, General Electric Capital Corporation's $200m deal launched at 45 basis points over the curve late last week has already tightened to 37 basis points, but oversupply is hampering further deals.

Northumbrian Water reopened the Eurosterling bond market with a £100m 10-year issue, which benefited from a rally in the gilts market. Lead manager Credit Suisse First Boston attributed demand from the UK, Asia and Europe to the market's eagerness for current coupon paper. Continental European investors in particular prefer not to take the capital loss involved when buying bonds at a premium to their par value. The deal was priced at 85 basis points over the comparable gilt issue.

Pricing will take place today of a $200m issue for Grupo Televisa, the Mexican media concern which is making its debut in the international capital markets. Chase Investment Bank is arranging the offering, which is part of Televisa's $400m Euro-medium term note programme.

The bonds will be priced to yield 410 basis points over the five-year Treasury, indicating a coupon of around 10 per cent at a small discount to par. The proceeds will help fund recent acquisitions.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Crédit Local de France	200	5.375	101.0875	1995	1⅜/⅞%	Kidder, Peabody Int.
Finnish Export Credit	200	6	101.125	1995	1⅜/1⅛%	Goldman Sachs Int.
Nippon Telegraph & Telephone	200	6.25	100.675	1997	1⅞/1.725%	JP Morgan Secs.
D-MARKS						
Tokyo Tekko Co.(a)♦	180	4	100	1997	2¼/1½%	Nikko Bank(Deutsch)
YEN						
Vitamin (Cayman)(b)★★	2.08bn	5.2	100.2	1996	20bp	Nippon Credit Int.
STERLING						
Northumbrian Water Group	100	9.25	101.085	2002	2/1¾%	CSFB
FRENCH FRANCS						
Crédit National	1.5bn	0	66.53	1997	20bp	CCF
LIRE						
European Inv.Bank	150bn	12.75	101.425	1997	1⅝/1⅛%	IMI Bank(Lux.)
SWISS FRANCS						
SNCI(c)★★	150	6.5	101.5	1999	-	UBS

Final terms and non-callable unless stated. ★★Private placement. ♦With equity warrants. a) Final terms fixed on 28/10/92. b) Series C. c) Borrowers full name: Société Nationale de Crédit à L'Industrie.

Bunds ease as hopes of imminent rate cut dashed

By Sara Webb in London and Patrick Harverson in New York

GERMAN government bond prices dropped a quarter of a point as senior Bundesbank officials yesterday stressed the central bank's commitment to price stability, dashing the bund market's hopes of an imminent cut in rates.

Dealers said the bund market had hoped to see a cut in key interest rates as early as Thursday. However, Mr Helmut Schlesinger, the Bundesbank president, and Mr Hans Tietmeyer, his deputy, stressed in separate speeches that the Bundesbank was not about to abandon its tough anti-inflationary policies. Mr Tietmeyer said a departure from monetary policy aimed at stability would be irresponsible.

GOVERNMENT BONDS

Medium and long-dated bunds fell as the statements were seen as killing any hope of an imminent cut in interest rates. The Liffe gilt futures contract opened at 91.81 and rose to a high of 91.93 early in the session, but ended the day at around 91.46.

■ SUPPLY pressures and continued uncertainty ahead of next week's presidential election weakened US Treasury prices yesterday morning.

By midday, the benchmark 30-year government bond was down 15/32 at 94 31/32, yielding 7.675 per cent. The two-year note was also lower at the halfway stage, down 1/32 at 99 5/32, yielding 4.357 per cent.

Prices slipped from the start as market participants sold off some of their inventories ahead of this week's auctions of new government securities. The Treasury is due to sell $15bn in two-year notes later today, followed by another $10.75bn in five-year notes tomorrow.

Further down the road, the next quarterly refunding programme looms, and with so much new supply in the pipeline investors and dealers are nervous about the outlook for the market.

The presidential race was also a factor contributing to the market's weakness and the unexpected revival of the Mr Ross Perot's standings in the polls heightened investor nervousness about the outcome of next Tuesday's vote.

■ POLITICAL and economic worries combined to push down UK government bond prices, although the gilt market later recovered some of its losses to end only slightly lower or unchanged on the day.

Dissent within the Conservative party over the prospects for European economic and monetary union, and worries about inflation following the release of the latest quarterly figures from the Confederation of British Industry (CBI) depressed the market, dealers said.

The CBI data suggested the decline in pay settlements may have bottomed out. The 9 per cent gilt due 2008 edged up from 101⅞ to 101 15/16 while shorter-dated issues slipped.

Dealers estimate the Bank of England may have sold up to half of its new tap stock yesterday. On Friday, the Bank announced it would offer £1bn of a newly-created stock – the 7¼ per cent gilt due 1998.

The new stock is partly-paid and dealers expect most of the proceeds will be used to buy back the £750m outstanding of 9 per cent stock due 1992/96.

"The Bank is taking advantage of falling yields and replacing a relatively high coupon stock with a lower coupon issue," said one dealer.

■ JAPANESE government bonds slipped on profit-taking following their rally at the end of last week.

The yield on the benchmark No 145 opened at 4.78 per cent and ended at 4.795 per cent, corresponding to the low price of the day.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.4764	-0.275	8.85	8.69	8.92
BELGIUM		8.750	06/02	103.8500	-0.040	8.15	8.24	8.60
CANADA *		8.500	04/02	104.2000	+0.250	7.86	7.91	7.75
DENMARK		9.000	11/00	100.8200	+0.145	8.85	9.16	9.55
FRANCE	BTAN	8.500	03/97	100.8212	-0.468	8.24	8.45	8.60
	OAT	8.500	11/02	101.5300	-0.510	8.26	8.40	8.55
GERMANY		8.000	07/02	104.3750	-0.260	7.35	7.35	7.49
ITALY		12.000	05/02	92.3000	+0.155	13.91†	14.34	14.17
JAPAN	No 119	4.800	06/99	100.4813	-0.051	4.70	4.71	4.74
	No 145	5.500	03/02	104.5681	-0.137	4.80	4.81	4.78
NETHERLANDS		8.250	06/02	104.5000	+0.020	7.57	7.61	7.82
SPAIN		10.300	06/02	88.6000	-0.200	12.36	12.88	13.00
UK GILTS		10.000	11/96	109-23	-3/32	7.18	7.53	8.55
		9.750	08/02	110-00	-1/32	8.24	8.67	8.98
		9.000	10/08	101-16	-1/32	8.82	9.15	9.24
US TREASURY *		6.375	08/02	96-16	-9/32	6.87	6.53	6.40
		7.250	08/22	94-29	-13/32	7.69	7.57	7.36
ECU (French Govt)		8.500	03/02	98.1500	-0.450	8.79	9.05	9.23

London closing. *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Milan to trade most shares on new system by next year

By Haig Simonian in Milan

MOST shares listed on the Milan stock exchange will be traded on its controversial new screen-based system by the middle of next year, according to Mr Lucio Rondelli, chairman of Generale Telematico di Borsa (GTB), the company setting up and managing the system. But he gave no precise date for the shift to full screen-based trading.

The system, introduced last November, currently covers 35 shares which together account for about 25 per cent of the capitalisation of the stock market's equity index.

Mr Rondelli defended the system, which has been subject to a series of embarrassing break-downs. Many of the problems for the network, which now serves 224 screens, 68 of them in smaller regional exchanges, stemmed from problems outside GTB's control such as faulty phone lines he said.

The unreliability of the system, which has been at its most erratic at moments of heaviest turnover, such as at the opening of the bourse, have led to criticisms from brokers and calls for suspension pending remedial work.

The system has recently been subject to an "audit" by a specialised software house to see whether the bugs are based in the software or require further heavy investment in new computer hardware. While some problems have arisen from software factors, such as the compulsory pauses which occur during heavy trading periods, several recent breakdowns are believed to have stemmed from human error.

Mr Rondelli admitted problems had arisen, but these did not affect the "substantial validity" of the system, which might eventually need "some corrections". He added that shares in a few companies which had a very limited float of stock might not be covered by the screen-based system, but that "solutions will also be found for these cases".

Iosco setback over common capital requirements

By Tracy Corrigan and Robert Peston

IOSCO Conference

ATTEMPTS to reach agreement on common capital requirements for securities firms and banks hit another obstacle over the weekend when US securities regulators held out for tougher standards than those sought by other regulators.

The International Organisation of Securities Commissions (Iosco), a grouping of securities regulators from more than 50 countries, discussed the issue of capital requirements, at the start of its annual meeting in London.

The organisation's technical committee, chaired by Mr Richard Breeden, who heads the US Securities & Exchange Commission, will meet again tomorrow morning in an attempt to resolve the issue, which has already been under discussion for more than three years.

A meeting of the committee on Sunday failed to agree on the amount of capital that securities firms must set aside to cover the risk of holding securities.

Mr Breeden is said to be holding out for a 4 per cent capital requirement to cover the risk, while other regulators are arguing that 2 per cent would be enough for any firm holding a large, diversified portfolio of securities – as opposed to individual securities, which would carry a 4 per cent requirement.

A recently-agreed European Community directive on capital adequacy includes the 2 per cent requirement. When the directive is implemented, EC securities firms will have to maintain their capital at a level equivalent to 2 per cent of their gross positions in securities and 8 per cent of their net positions – calculated by taking account of long and short positions and hedging strategies.

Regulators yesterday raised the possibility of most Iosco members agreeing to the 2 per cent requirement, with the US left on the outside. However, such a compromise would damage Iosco's standing, regulators say, because of the international reputation of the SEC.

If the SEC were left on the outside, it could also prove difficult to persuade bank regulators – grouped in the Basle Committee on banking supervision, rather than Iosco – to agree to the proposal.

The Basle committee has virtually concluded its own deliberations on capital requirements for securities trading by banks in parallel talks. The lack of an agreement by Iosco is holding up plans to push ahead with joint action on the issue, which has been stalled for much of this year.

If the new capital requirements were imposed by individual securities regulators, without the agreement of the US, trade in US equities could shift offshore, to regimes with less stringent requirements.

A compromise has been under discussion which if enforced would have the effect of preventing this migration of business to offshore centres without imposing a common international capital requirement.

FT FIXED INTEREST INDICES

	Oct 26	Oct 23	Oct 22	Oct 21	Oct 20	Year ago	High *	Low *
Govt Secs	93.28	93.41	92.87	92.90	92.20	88.87	93.41	85.11
Fixed Interest	106.62	106.46	105.91	105.93	105.18	96.64	106.62	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992. Government Securities high since compilation:127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 106.62 (26/10/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

	Oct 23	Oct 22	Oct 21	Oct 20	Oct 19
Gilt Edged Bargains	185.9	162.1	206.3	168.6	149.0
5-Day average	174.4	170.5	163.5	149.9	144.2

Indices: SE activity 1974

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on October 26

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	106⅝	107⅛	-⅛	5.08	ARBED 7 1/2 95 LFr	600	96¼	97¼		9.14
[illegible]						[illegible]					

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	18	51	9
Other Fixed Interest	0	3	12
Commercial, Industrial	253	229	940
Financial & Property	198	73	535
Oil & Gas	19	16	50
Plantations	2	0	7
Mines	52	8	87
Others	72	14	22
Totals	614	394	1,662

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
78	Nil	10/11	1½pm	1¼pm	Capital Inds.	1¼pm	
17	Nil	18/11	1½pm	¼pm	4EIT	¼pm	-¼
295	Nil	1/12	45pm	38pm	Greenalls	38pm	-2
335	Nil	22/12	52pm	24pm	Wagon Indl.	24pm	-3

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of capitalisation. † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Oct. 26
- Last Dealings Nov. 6
- Last Declarations Jan. 28
- For settlement Feb. 8

3-month call rate indications are shown in Saturday editions.

Calls in Calor, Lonrho, Premier Cons., Ramco Oil Servs. and Royal Insce. Put in Airtours. Doubles in ASDA and Premier Cons.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

[illegible]

October 26 Total Contracts 36,865
Calls 26,718 Puts 10,147
FT-SE Index Calls 2,249 Puts 3,904
Euro FT-SE Calls 1,030 Puts 1,403
*Underlying security price. † Long dated expiry mths
Premiums shown are based on closing offer prices

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Mon Oct 26	Day's change %	Fri Oct 23	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	128.10	-0.04	128.14	1.66	10.69
2	5-15 years (25)	144.97	-0.16	145.21	1.48	11.85
3	Over 15 years (8)	150.17	-0.19	150.46	2.34	9.97
4	Irredeemables (6)	165.65	-0.31	170.79	-0.18	13.45
5	All stocks (61)	141.43	-0.13	141.64	1.65	11.46
	Index-Linked					
6	Up to 5 years (2)	181.99	+0.31	181.43	0.28	3.68
7	Over 5 years (10)	164.93	+0.47	164.15	0.78	4.04
8	All stocks (12)	166.04	+0.45	165.30	0.72	3.96
9	Debs & Loans (62)	121.00	+0.07	120.92	2.06	10.11

AVERAGE GROSS REDEMPTION YIELDS

			Mon Oct 26	Fri Oct 23	Year ago (approx.)
	British Government				
1	Low	5 years	7.10	7.02	8.69
2	Coupons	15 years	8.44	8.36	9.52
3	(0%-7¾%)	20 years	8.73	8.66	9.52
4	Medium	5 years	7.41	7.39	9.80
5	Coupons	15 years	8.75	8.72	9.67
6	(8%-10¾%)	20 years	9.03	9.02	9.62
7	High	5 years	7.67	7.62	10.00
8	Coupons	15 years	9.06	9.03	9.76
9	(11%-)	20 years	9.19	9.16	9.68
10	Irredeemables†		9.09	9.06	9.74
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	2.62	2.71	3.83
12	Inflation rate 5%	Over 5 yrs.	3.83	3.86	4.23
13	Inflation rate 10%	Up to 5 yrs.	1.82	1.91	3.20
14	Inflation rate 10%	Over 5 yrs.	3.45	3.68	4.05
15	Debs &	5 years	8.83	8.83	11.41
16	Loans	15 years	10.07	10.07	11.20
17		25 years	10.27	10.26	11.01

† Flat yield.

TI sells non-core activities for initial £38m

By Richard Gourlay

TI GROUP, the aerospace, seals and tubes group, has sold most of the capital goods division of its specialist Thermal Technology business for £38m to a wholly owned subsidiary of Ruhrgas of Germany.

TI expects to receive an additional £4m for changes in the net assets of the business since last December.

The sale will involve a net loss of £10m after goodwill written off on acquisition is written back through the profit and loss account in line with the new accounting treatment.

Mr Christopher Lewinton, TI chairman, said the sale was consistent with the group's strategy of concentrating on the three core businesses – Bundy tubes, Crane seals and Dowty aerospace.

The Thermal Technology division makes vacuum and other tightly temperature-controlled furnaces for the aerospace and automotive industries.

Mr Richard Cropper, commercial director of Dowty Group, which is now part of TI, said Thermal Technology had been considered a core business but the idea has since been discarded. TI started to build the division in 1981 and expanded through the 1986 acquisition of Ipsen.

Small vacuum furnaces were added with the acquisition of CVI in the US as part of the purchase of Thermal Scientific. Most of Thermal Scientific will remain in TI's aerospace division.

TI will retain Cambridge Vacuum Engineering, a part of the capital goods division of Thermal technology that Ruhrgas was not interested in buying. This company, with net assets of £3m, is also to be sold.

Hire side helps Moss Bros treble

By Roland Rudd

MOSS BROS, the clothing outfitter, more than trebled pre-tax profits, from £102,000 to £354,000, in the half year to July 25, helped by a strong *showing by its hire business.*

Sales were up 3 per cent to £23.9m (£23.3m) boosted by a first time contribution from last year's purchase of Dormie from Sears Menswear.

Turnover was up 1 per cent on a like-for-like basis, reflecting an increase in sales across all the groups activities, which include Cecil Gee, Savoy Taylors Guild and Suit Co. The hire division increased its market share by 2 percentage points to 38 per cent.

Mr Rowland Gee, managing director, said: "When we went *into the recession we said* these are the economic conditions in which we have to trade. What we have now may be normality. It is no longer a case of trying to forecast when the recession is going to end."

Earnings per share rose from 0.14p to 1.42p. The interim dividend is held at 1.5p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Geared Income ....int	1.75‡	Nov 30	1.75	-	7.6875
Moss Bros ....int	1.5	Dec 4	1.5	-	5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Second interim making 3.25p to date.

Bankers support Gerald Ronson

By Maggie Urry

BANKERS TO Heron, the heavily indebted property group, who are meeting to discuss restructuring proposals on Thursday, are happy that Mr Gerald Ronson should remain as chief executive.

In many recent cases where companies have sought help from their creditors, the banks have demanded the departure of existing management.

In Heron's case, though, Mr Ronson is seen as capable of handling the controlled disposal of assets which will be recommended to the group's creditors as the best way of recouping their loans. The group owes about £1.4bn to its banks and bondholders.

However, since the restructuring is expected to involve a large element of debt being swapped into equity, substantially cutting the proportion of the equity controlled by the Ronson family and its charitable trusts. Mr Ronson is considered likely to give up the chair. An external non-executive chairman is expected to be appointed.

Jupiter Tyndall appointments to CST board

By Angus Foster

Jupiter Tyndall yesterday won its argument with CST Emerging Asia Trust when three Jupiter nominees were appointed to the board.

Jupiter, which manages and owns 29.9 per cent of CST has been locked in a long running disagreement with the trust. Jupiter sought to replace the trust's board while CST threatened to sack Jupiter and liquidate the trust.

Yesterday, CST's resolution to wind up the trust failed to win shareholders' support

As a result, Mr John Craig, deputy chairman of Jupiter, Mr Michael Heathcote Amory, managing director, and Mr James Roe have joined the board.

Few surprises in Wellcome beauty contest

Norma Cohen and Maggie Urry on a search for fund managers

IT HAD to have been one of the hottest competitions for a fund management mandate in some time. Wellcome Trust, the medical charity, announced last March it was seeking a group of managers for its entire £2.75bn investment portfolio and would keep an open mind about applicants.

Not only was it the largest mandate ever awarded in Britain, the portfolio is among the most prestigious yet put out to contract.

The result was that 237 hopeful fund managers announced their desire to enter the beauty contest, some of them the brightest stars of the business.

The intense competition was even more surprising given that Wellcome made it clear it intended to pay what are euphemistically known as competitive fees for the business.

Yesterday, Wellcome Trust announced the results of its search. While some of the winners would have been obvious candidates to any casual observer of the industry, the list contained several surprises.

It was, according to Mr Roger Gibbs, chairman of the Trust, a fascinating exercise.

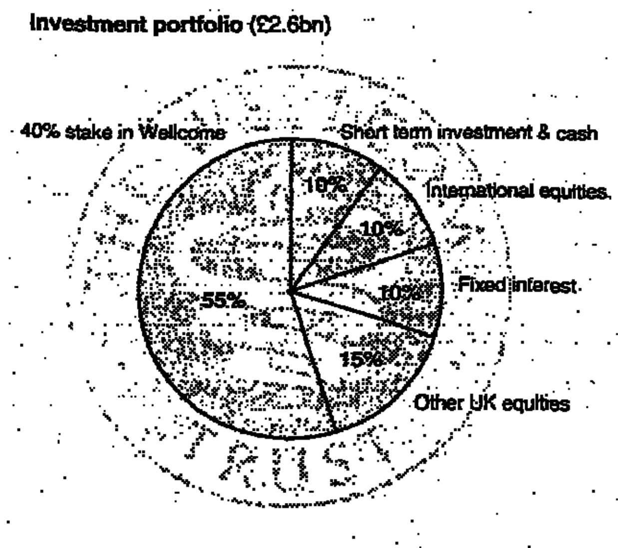
To assist in the task, Wellcome appointed R Watsons, a firm of consulting actuaries which frequently advise pension funds and investment bank J Henry Schroder Wagg. The initial exercise cut the list to 55 potentials, who, after further investigation, were pared down to 20.

The 20 managers were invited to a "beauty parade" at the end of September and early October.

"All 20 had something to offer," Mr Gibbs said. "It was an extremely difficult decision." Of the 20, 15 were extremely strong candidates, he added.

The Wellcome Trust

Investment portfolio (£2.6bn)



Investment managers

- Baillie Gifford & Co
- Fleming Investment Management*
- Gartmore Pension Fund Managers
- Hambros Bank
- Henderson Pension Fund Managers*
- Newton Investment Management
- Phillips & Drew Fund Management
- Schroder Investment Management
- Morgan Stanley - Fixed Interest Portfolio**
- Barclays de Zoete Wedd Investment Management - UK equity index fund**

* Existing managers reappointed
** Appointed earlier this year

The selection criteria specified the most recent five year investment performance and performances stretching back as far as could be determined. Furthermore, Mr Gibbs said, Wellcome was looking for quality of management with a view to security.

Mr Gibbs declined to be drawn on which firms made presentations at the final beauty parade. But the shortlist did include the four managers which had originally been appointed in 1986: Fleming Investment Management Ltd, Henderson Pension fund Management Ltd, Morgan Grenfell Asset Management and James Capel, the stockbroker. Fleming's corporate finance team had also lead managed the sale of the Wellcome shares.

When the eight winners were chosen however, two of Wellcome's current fund managers, James Capel and Morgan Grenfell Asset Management were conspicuous by their absence.

Also absent was the UK largest and most formidable pension fund manager, Mercury Asset Management, which is believed to have been "disappointed" at its failure to be selected.

As a charity, the Trust had not only to choose those advisers it considered best, but had to be seen to be doing so as well.

As a consequence, the winners will have survived one of the most rigorous selection processes in recent memory.

The size and prestige of the business, and the Trust's charitable status, also appear to have enabled the Trustees to negotiate remarkably slim management charges. Thus, the financial gains may be a lot slimmer than usual.

Wellcome is believed to be paying at or just below the bottom of the scale for pension funds under management at 0.15 per cent of funds under management.

Pensions consultants said that Wellcome's list of chosen managers in many ways reflects a growing trend in the industry to shift money to "specialist" fund managers with a particular style focusing on a narrow market segment.

While the selection of Edinburgh-based Baillie Gifford is likely to raise eyebrows, pension consultants said its reputation has been quietly growing for some time. Acquiring a reputation as a retail fund manager, Baillie Gifford has recently won a number of pension fund accounts.

The firm has won kudos for its investment approach that, instead of assigning fund managers to individual accounts, divides investments up geographically.

Thus, several fund managers may be responsible for a single account and as the firm shifts its view of various markets, funds will move about within it.

Newton Investment Management Ltd, winner of a "performance" mandate from Wellcome, has made its reputation as an aggressive investor in equities.

"The key to Newton's success is that they back their convictions to the hilt" said one pension fund consultant. As a result, the firm has stayed with investments other fund managers might have abandoned and achieved impressive returns.

Wellcome Trust's portfolio was swollen in the summer when it sold some of its shares in Wellcome, the drugs company.

The sale added more than £2bn to its investment holdings which had first been put out to fund managers in 1986 when the Trust floated the company's shares. The Trust also retains a 40 per cent stake in the company, valued at £3.5bn.

Apart from the eight fund managers chosen, the Trust also employs Morgan Stanley to run an international fixed interest portfolio. Barclays de Zoete Wedd Investment Management set up a £500m index fund when the sale closed at the end of July.

IMC returns to the black

INTERNATIONAL Media Communications, the USM-quoted group which takes in Alpine Soft Drinks, the Skyview in-flight entertainment system and the marketing of video tapes, posted pre-tax profits of £378,000 for the 12 months to April 30 – its first profitable year since 1985.

The outcome, achieved on turnover of £3.22m (£845,000), compared with losses of £715,000 last time. Earnings per share emerged at 0.18p (losses of 0.42p).

Mr David Cicurel, chairman, said that following good progress at Alpine, which was purchased in January and made a four-month contribution, the group was seeking an acquisition in the consumer products field. The dispute with the vendor of Alpine could be settled "within the month" he added.

Hostile bid by BBA subsidiary

By Roland Rudd

BBA, the component maker for automotive, aviation and industrial markets, yesterday announced that Pacific BBA, its Australian subsidiary, had made a hostile A$86m (£39m) bid for Siddons Ramset, a diversified manufacturing group.

The offer comprises A$42m cash and the issue of 18m new shares in Pacific BBA. There is also a full share alternative.

BBA is hoping that the offer will be accepted in respect of 70.5 per cent or more of the shares which would reduce its 57 per cent stake in Pacific BBA to below 50 per cent.

The UK-based group no longer wants to assume the total debt of companies in which its Australian subsidiary has a 51 per cent stake.

Mr Peter Clappison, finance director, said: "We are planning to reduce our controlling stake in Pacific BBA to allow it to grow without hindering our balance sheet."

Siddons Ramset, which has debt of about £12m, made pre-tax profits of A$4.3m in the year to June 30.

Invesco in landmark cash pay-out

By Norma Cohen, Investments Correspondent

INVESCO MIM's agreement yesterday to pay £9.5m cash compensation to investors in Drayton Consolidated Trust marks the first time a fund manager has compensated shareholders of an investment trust under its control.

The move follows months of bargaining between aggrieved shareholders who have watched the value of the trust and Invesco MIM plummet in recent years.

The affairs of Drayton have focused attention on the relationship between investment trust company boards and the investment managers which invest their funds.

The Association of Investment Trust Companies, the industry trade association, is discussing a code of best practice for boards.

Issues under discussion include the extent to which fund managers should be represented on an investment trust's board, the role of non-executive directors and whether trusts should bear the name of the fund manager in their title.

The lessons of Drayton have been expensive for Invesco MIM. Its chief executive, Lord Stevens, who was also the chairman of Drayton, was forced to resign, partly due to the affair.

Invesco itself has taken write downs of more than £22m in costs associated with the investment trust.

As part of a complex settlement announced yesterday, the £9.5m will be raised through a £6.5m cash payment from Invesco MIM to Drayton and a sale to Invesco of two unquoted investments with a book value of £6.2m for £9.2m.

Invesco will also buy a portion of Drayton's investment in unquoted Oak Industries via a deferred loan note for $2m, maturing in two years.

The settlement, giving shareholders 85p cash per share, will also create a new investment trust, Second Consolidated, with net asset value of 158p per share.

Mr Hamish Buchan, investment trust company analyst at County NatWest Wood Mackenzie, said that without the package, Drayton, whose shares once had a net asset value of over 400p, would have had a net asset value of 26p per share.

At the heart of the shareholder's compensation claim lies a £43m investment in Alma Holdings, once Scotland's largest confectioner.

Investment trusts lose certain tax advantages when investments in a single company exceed 15 per cent.

While Drayton's initial investment in Alma was £3m, equal to a 14 per cent stake, it rose to 97.2 per cent as more loans were extended to bail the confectioner out of financial difficulties.

The accounts of Drayton, however, never fully displayed the potential exposure to Alma. It was only when the confectioner collapsed in early 1992 that the scale of the loss became obvious.

Indeed, according to Drayton's advisors, further funds were being extended to Alma even as existing loans were being written down.

"The directors did not feel they were fully informed at the time," said Mr Nicholas Cobbald, a director at Drayton Consolidated.

"They should have been informed and that was why there was a settlement."

Mr Cobbald said that even the directors were unaware of the decisions of Invesco MIM in regard to Alma and other investments in the Drayton portfolio.

The £9.5m compensation payout reflects months of bargaining between Invesco MIM and Drayton shareholders.

Invesco MIM will be retained as a junior manager to Second Consolidated, while Foreign and Colonial Ventures, a venture capital specialist, will be the senior manager. Invesco is being asked to stay on partly because of its familiarity with existing investments.

See Lex

Aiming to shake the shabby out of Habitat

Lucia van der Post on the history and future of a sixties trendsetter which lost its way in the eighties

NOBODY WHO grew up in the post-Habitat era can possibly imagine what it was like to try to furnish a house before the youthful Terence Conran opened his very first Habitat store in Fulham Road, London in the dazzling spring of 1964.

If middle-class Britain had a furnishing style in those post-war years, it was either hand-me-down Brideshead or department store repro.

In the late eighties it became fashionable to mock it, to make jolly little jokes about Shabitat, and to avow one never went near the place.

But its arrival marked a turning point in the tastes and life-styles of the middle-classes. For the first time there was somewhere where they could go where nothing jarred, where the salad bowls were perfectly turned, the casseroles were authentic peasant ware from Provence, and where even the wooden spoons seemed to evoke a simpler, better, more sun-filled way of life.

Sir Terence's peculiar talent was for turning his own tastes and life-style, his nostalgia for French rustic life, into a highly commercial operation so that middle-class urban dwellers in Islington and Chelsea came to fill their homes with chicken bricks and tangines, with pale pine tables and petits pots à la crème.

The single store blossomed into a chain, the chain prospered but, as Ian Renwick, head of corporate communications at Habitat, puts it: "Three years ago we fell off a precipice." Profits plunged leading to losses of £8.8m in 1989 and £11.9m in 1990. Somewhere along the road the dream had gone wrong.


What a difference 35 years makes: Sir Terence Conran (left) in 1990 in Habitat's shop in Fulham Road, London and with Shirley Conran in 1955

In recent months it has been no secret that Storehouse, the parent company, had been looking for a buyer. Now we know that Stichting Ingka Foundation, the trust started by Ingvar Kamprad, founder of Ikea, the Swedish furnishing chain, has bought it.

At Habitat headquarters the mood is buoyant.

"We can now get on with running the business," says Vittorio Radice, recently installed as managing director, after two years with the group first as merchandise manager and then as buying director. "Without any politics, with no looking at short-term profit. The Foundation sees the future of Habitat very much as we do and is prepared to invest in the future.

"The Foundation sees Habitat and Ikea as two completely separate brands and we will be run quite separately from Ikea. Whereas Ikea goes in for 200,000 sq ft self-service style stores, eventually I want all our stores to revert to being smaller, fully serviced stores with high quality sales staff."

Out has gone the mail order (too down-market), out the polyester bedlinen (nothing but 100% cotton bedlinen from now on), out the melamine and the self-assembly furniture ("unless a piece of furniture is born to be self-assembly").

"Already," says Mr Radice, "we have turned the corner. Sometime around May last year it seemed to happen."

He waves yesterday's figures jubilantly. "Just look at this – yesterday we were 26 per cent ahead of the same Sunday last year whilst for the whole week we are 7.4 per cent ahead of the equivalent week last year. Habitat is in line to return to profit."

Quite why and how the chain lost its way, or more accurately, failed to evolve, is a matter of some dispute.

Mr Radice is in no doubt. "Habitat today could be the best home furnishings chain in the world if the original concept hadn't been murdered. When Terence Conran first opened stores they were in beautiful buildings – a restored church in Tunbridge Wells, a 1920s cinema in London's King's Road, a grand hotel in Bristol, an old Spitfire factory in Manchester – all these were wonderful, individual, special to their towns.

"Then they started opening in huge sheds in edge of town sites, next door to B&Q, MFI, Do-It-All. They even opened seven Habitat stores in BhS. All this diluted the image, took it down-market. I think that was a tremendous mistake.

"When I arrived I asked whom they saw as their competition. The Reject Shop, MFI and John Lewis I was told. I knew at once I had to do something."

What Vittorio Radice is determined to do it is to win back the market it should never have lost in the first place.

"We aim to have 50 stores in this country, of which 20 will be new and another 10 of the existing stores will be relocated. It will be an evolutionary process with, I hope, no redundancies. In fact we hope to create jobs.

"I want the stores to be no bigger than 10,000 sq ft, small enough to retain an individual, characterful mood, with each store listening closely to the needs of its own customers."

Habitat is, if you like, returning to its roots, going back, after a painful detour, to where it all began. Those who remember the original Habitat store in the Fulham Road, where Joseph stands today, remember one really terrific shop showing what it could be like if everything was all of a piece, if one consistent, sure taste lay behind it all.

Times have moved on, tastes have changed, but the original blueprint is still Mr Radice's guiding light. "I remember when I was with AMC Milan (a large Italian furniture buying organisation where Mr Radice worked for seven years) I used to come from Italy just to see Habitat because it was the retailing phenomenon of its time. Then in the mid 1980s I stopped coming. Well, I want people like me to feel they have to come and see what Habitat is up to again."

Onerous disposal problem for Storehouse

By John Thornhill

STICHTING Ingka Foundation, Habitat's purchaser, may be a charitable institution but it is certainly no slouch when it comes to tough talking.

Although the purchase price of £78m – including repayment of £24m of inter-company debt – was £7m above Habitat's net book value, SIF succeeded in leaving Storehouse with some onerous responsibilities for disposing of unwanted properties.

Storehouse is taking an extraordinary provision of £5m to cover the cost of closing an unspecified number of Habitat stores should Habitat subsequently decide it does not want to trade from them or chooses to relocate elsewhere. This also includes some sites which have already ceased trading.

Mr David Simons, finance director, said it might take up to two years to dispose of these properties although he emphasised that the £5m provision was a conservative estimate that reflected the maximum potential liability.

Separately, Storehouse has also agreed to retain the freehold and leasehold interests of several other properties which have a book value of £14m. Storehouse will continue to receive rental income from the tenants until it can dispose of these properties to institutional investors.

"One of the bits of baggage that Habitat has been carrying around has been that quite a lot of the stores are in poor locations. We could not expect Ikea to take them all on," said Mr Simons.

Overall, the effect of disposing of Habitat and Richards will lead to a reduction of £20m in shareholders funds but a £100m net cash inflow.

Mr Simons, who was responsible for straightening out the group's tangled balance sheet, has amicably agreed to leave next March. He will be succeeded by Mr Graham Rider, finance director of BhS.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Blenheim, Bradford Property Trust, British Syphon, Jupiter Tyndall, Warnford Inv.
Finals- Bridport-Gundry, New Frontiers Development Trust, Pressac

FUTURE DATES

Interims-	
Blackland Oil	Nov. 5
Burtonwood Brewery	Nov. 5
Cater Allen	Nov. 19
Chamberlin & Hill	Nov. 11
GEI Intl	Nov. 24
Powell Duffryn	Nov. 25
Rowe Evans Inv	Oct. 29
Tie Rack	Nov. 2
United Energy	Oct. 28
Whitbread Investment	Nov. 5
Finals-	
Euromoney Publications	Nov. 12
Keystone Investment	Nov. 3

NEWS DIGEST

Wiggins losses at £9.21m

SHARP INCREASES in losses were reported by Wiggins Group, the commercial and residential property developer which survived the collapse of its Docklands development at the cost of virtually all its working capital, for the year to March 31 1992.

At the pre-tax level losses escalated from £2.54m to £9.21m. The figure was struck after exceptional losses of £6.07m (£914,000) including £6m from the south western housebuilding subsidiary.

Negotiations may shortly be concluded for the disposal of the south western company which will have the effect of cutting the net asset deficiency by £3m to £7m.

Turnover was lower at £7.98m (£11.5m). Losses per share amounted to 77.9p, compared with 15.7p.

Mr Stephen Hayklan, chairman, said that following the placing of the Midland housebuilding subsidiaries into receivership the company's activities were restricted to modest housebuilding management projects and the promotion of the joint venture Kent International Business Park.

The group continued to trade even at its current level, only with the support of its banks and creditors.

The directors are no longer drawing any salary and Mr Hayklan has drawn none since August 1991.

Dumas turns to earlier plan

The planned reconstruction of Dumas Group, involving the acquisition of a substantial private company, has fallen through. The importer and distributor of speciality foods has therefore re-activated earlier discussions under which a group of private investors would take part in a financial and managerial reorganisation.

A basis has been agreed for recommending proposals to shareholders of the USM-quoted company and a circular is expected shortly.

In its last reported results for the six months to July 31 1991 the company reported pre-tax losses of £162,000 on turnover of £3.58m.

Torday & Carlisle to restructure

Directors of Torday & Carlisle, which has interests in diesel engines, marine and industrial components and commercial signs, is withdrawing Oldham Signs from sale.

They said a number of offers had been received but it was not possible to conclude a transaction which they believed to be in the best interests of shareholders. They have decided on a restructuring of the business.

Higher charges push Palma deeper in red

Increased interest payable and exceptional charges related to the carrying costs of leasehold properties pushed Palma Group, the Leicester-based knitwear company, further into the red in the six months to July 26.

At the operating level, profits improved to £326,000 (£243,000), but the charge of £215,000 against the company's former retail chain of seven properties and interest payable of £516,000 (£423,000) saw the pre-tax deficit deepen to £405,000 (£180,000).

Mr Peter Bailey, chairman, said that the high level of short-term borrowing should fall as trading improved. However trading since the period-end had been "disappointing".

Turnover declined to £6.41m (£7.84m) reflecting rationalisation of the business. Losses per share worked through at 2.12p (0.95p). The interim dividend is again passed and there will be no final distribution.

Current reconstruction should improve distributable reserve, Mr Bailey said. The subsidiaries are to be liquidated with their assets and trade passing to the parent company.

Geared Income net assets decline 30%

Geared Income Investment Trust had a net asset value of 68.71p at September 30 – a decline of some 30 per cent on the 97.55p at the same stage of 1991.

The trust, which invests 85 per cent of its portfolio in investment trust income shares, saw net revenue increase to £865,521 (£796,699) over the six months to end-September, equivalent to earnings of 3.93p (3.62p) per share.

A second interim dividend of 1.75p makes an unchanged 3.25p so far this year.

Automotive Prods ahead at £8.7m

Automotive Products, the BBA Group offshoot, reported pre-tax profits ahead at £8.7m, against £3m, for the first half of 1992.

Turnover was £146.6m (£139.8m). The pre-tax figure was struck after an exceptional charge of £1.7m relating to costs of adjusting the cost base.

Welpac losses more than doubled

Welpac, the DIY and gardening hardware and consumer products group, reported a pre-tax loss of of £684,000 for the six months to July 31.

The outcome compared with losses of £248,000 last time and £305,000 for the full year to January 31 1992.

The latest deficit was struck after exceptional charges of £273,000 (£38,000) for reorganisation and redundancy, and a net interest charge of £298,000 (£361,000). Losses were 0.87p (0.79p) per share; turnover rose from £4.65m to £7.73m.

directors said they were confident of a satisfactory level of profitability in 1993 if there was no further deterioration in the economic environment. They said any dividend would reflect the full year outcome.

Logistics buy for Sidlaw joint venture

Supplylink International, the oilfield logistics joint venture between Dundee-based Sidlaw Group and Smit Lloyd of the Netherlands, has paid an aggregate £2.03m for two support services companies.

The acquisition of Gerlach Offshore, a Dutch oilfield logistics service concern, from the Royal Nedlloyd Group, will complement the recent purchase of Oilbase Management, a Great Yarmouth-based company providing specialist logistics support to oil exploration groups.

COMMODITIES AND AGRICULTURE

Russia may press for better diamond deal

By Leyla Boulton in Moscow

RUSSIA will press for an improvement in the terms of a five-year deal giving South Africa's De Beers a virtual *monopoly on the country's* sales of rough diamonds, if an influential Russian parliamentarian gets his way.

Mr Leonid Gurevich, who co-chairs a state commission examining the Russian diamond industry, has complained that the agreement signed in 1990 by Soviet authorities is "not a partnership". He said that other diamond-producing countries such as Australia had obtained much better terms from De Beers, which controls 80 per cent of the rough (uncut) diamond market through its London-based Central Selling Organisation.

Mr Gurevich also rejected what he called "blackmail" by De Beers, which suggested that Russian complaints would only damage Russian interests by further weakening an already depressed diamond market.

He said that at a meeting requested by De Beers on *Thursday evening he had chal*lenged Mr Gary Ralfe, the head of the CSO, who is also in charge of relations with Russia, to prove that the relationship was fair.

"I said 'help me' [prove this]. He answered with an attack. He said they are thinking about whether to renew the present agreement. . . I told him he was strongly exaggerating the losses we would face if the relationship broke down. I explained to him that it would be a catastrophe for De Beers but not for Russia." Mr Gurevich also said he had received from Mr Ralfe media reports on the Russian diamond business with a note from him claiming that such articles were harming the market.

Welcoming the creation of a new Russian-Yakutian joint stock company as ending internal divisions over control of Russian diamonds, Mr Ralfe said before meeting Mr Gurevich that he did not expect Russia to renegotiate their present agreement.

But Mr Gurevich told a different story. Despite Mr Ralfe's assertion that Mr Gurevich was "not running the diamond business", the parliamentarian said he would press for changes before the present deal expires in 1995.

He complained that while Australia could sell 15 per cent of its diamond exports independently of the CSO, Russia could sell only 5 per cent. Even then, the independent Russian sales, intended to test the prices fetched by the CSO, could only be conducted in Moscow.

Mr Gurevich said: "Can we talk seriously about this if there is no diamond market in Moscow? We want to sell these diamonds abroad on the free market."

Almazyuvelirexport, the state organisation that handles diamond sales and signed the agreement with De Beers for the now defunct Soviet Union, agreed yesterday that there was room for improvement. But Mr Pavel Kovilin, the deputy director of Almazyuvelirexport, said his organisation would press for changes only after the agreement expired.

He also claimed that the Moscow sales, which were attended by buyers from all continents, fetched prices representative of the world market.

Although he has no formal role in running the Russian diamond business, Mr Gurevich is capable of mobilising *opinion against the present* arrangements if informal pressure for a better deal from De Beers does not work.

ASHTON MINING, 40 per cent owner of Australia's big Argyle diamond mine, has entered the Lac de Gras diamond hunt in Canada's Northwest Territories, writes Robert Gibbens in Montreal. It has formed a joint venture with a Canadian exploration company and has shipped four tonnes of mineral samples to its laboratories for testing.

So far Australia's Broken Hill Proprietary, the UK's RTZ (through Kennecott, its US subsidiary) and De Beers of South Africa have been the only prominent international companies known to be active in the hunt. Altogether 5.2m hectares (13m acres) have been staked.

Caught in a game of snakes and ladders

Sterling's devaluation has reinjected an element of uncertainty into farm economics

FARMER'S VIEWPOINT

By David Richardson

THE GOOD news for British farmers is that since the devaluation of sterling last month guaranteed prices for some European Community-supported farm commodities have risen. The bad news is that many of the production costs of those same commodities have also gone up as a direct result of the devaluation. Sadly the snakes that will add to costs are rather longer and larger than the modest ladders which have increased prices.

While sterling was in the exchange rate mechanism and its value was locked within a narrow band, EC price guarantees for the UK farmers were relatively stable. Notorious "monetary compensatory amounts" – payments to compensate for differences in value between real pounds and so-called green pounds in cross-border, intra-community trade – had almost disappeared.

However, since the pound was suspended from the ERM it has fallen against the D-Mark by well over 20 per cent and against most other European currencies by almost as much.

Farm prices are calculated in European currency units (Ecus) and MCAs were introduced to inhibit opportunistic exports from one member state to another in order to cash in on currency fluctuations and to reflect differences in production costs.

But the actual levels of MCAs, set on a weekly basis, are subject to political decision as well as currency value. As sterling has fallen, MCAs have lagged behind the face value of sterling decline.

A further complication – for instance with cereals, the key commodity – is that the intervention system, under which surplus stock is bought and stored until it is needed, domestically or for export, does not begin these days until November 1. So, although the official "green pound gap" for cereals has risen from almost nothing to 11.7 per cent since sterling was suspended from the ERM the spot price for October delivery feed wheat, for instance, has gone up by only £8 to £116 a tonne, with prices for the supported November position £7 to £8 higher.

This is a welcome and unexpected bonus for farmers with the appropriate commodities to sell, because the benefits have not been restricted to cereals.

Sugar beet, for instance, which is being harvested now, will be worth a few pounds a tonne more than anticipated. Finished lamb prices, which normally decline in the autumn, rose for a week or two – although French buyers, who take most UK lamb exports, soon got together to force the price down again. But beef cattle – which should, according to the increased face value of the *guaranteed price*, have made more money – failed to respond.

The EC single market, which is scheduled to come into operation at the beginning of 1993, is supposed to abolish MCAs altogether. It was originally expected that all community currencies would, by then, be stable within the ERM and that there would be no further need for measures to equalise farm prices.

But with sterling still floating, mainly downwards, some traders say that in order to provide UK farmers with guarantees of equal value to those across the channel, the intervention price of feed wheat, for example, might have to be raised as high as £140 per tonne.

It is almost inconceivable that this will be allowed to happen. Quite apart from giving a confusing and entirely inappropriate signal to UK grain growers (who are still smarting over the introduction of acreage set-aside to cut production by 15 per cent), such a price rise would add unacceptably to the costs of producing livestock, which consume much of the grain. In all the chaos of recent weeks, however, nobody really knows what will happen. All that is clear is that while sterling remains outside the ERM pricing farm products will be a game of chance.

Moreover, specialist livestock farmers who buy grain but do not produce it are already having to pay substantially more for animal feed. *Standard rations for pigs, for* instance, went up by about £5 a tonne immediately after devaluation, not only because of the effect on home-grown grain but also because most of the protein in the form of soyabean meal and fishmeal has to be imported. Further substantial monthly increases are expected while the present uncertainty lasts.

The UK imports many other requisites for the production of crops and livestock. Many crop protection chemicals and animal health products are supplied from continental countries as well as the US and the costs of these will inevitably rise in line with sterling's devaluation. In most cases this will amount to considerably more than will be compensated by MCAs and the EC's system of green money. As already explained these are in any case scheduled to disappear in two months.

Farm machinery will be similarly affected. The UK's machinery manufacturing capability has been allowed to run down in recent years and the country now imports about 60 per cent of the tractors and 70 per cent of the farm implements it needs. Again, many of these come from Germany, with some from France, Italy, Denmark and the Netherlands, among others. Very soon the effects of sterling's devaluation will be seen in the prices of such machines.

In the meantime, a small window of opportunity has appeared for the relatively few farmers fortunate enough to be selling products such as grain *at prices higher than budgeted*

Some farm machinery importers refused to trust the long-term value of sterling and purchased foreign currencies forward before that fateful bungy-jumping performance in September. Now they are passing on that currency advantage to those farmers with money to spend.

It may seem strange to outsiders but such is the competition in the over-supplied farm machinery business and so thin have been sales in the last few years that importers and dealers feel they have no alternative. Undoubtedly they also hope that by cashing in on the temporary advantage of having "cheap" money they will help push competitors who did not have the foresight or the cash flow to plan ahead into bankruptcy.

But when that forward-purchased money is used up the whole of UK agriculture will face the full effects of the sterling devaluation. Full compensation through any future EC system is a pipe dream. And prospects for the kind of national top-up that farmers in several other EC countries receive, quite legally under the terms of common agricultural policy reform, look bleak against planned treasury cuts.

The recession that has affected British farmers for at least the last seven years seems set to continue.

Statoil halts propylene production at Antwerp

By Karen Fossli in Oslo

STATOIL, the Norwegian state oil company, said yesterday that it will close its Antwerp propylene plant until the end of the year, but warned of a future closure unless market conditions improved.

Statoil owns the plant jointly with Himont of Italy in a venture called North Sea Petrochemicals. Statoil's share of investment in the facility was NKr1.1bn (£110m), of which 60 per cent covered the propylene plant. The petrochemicals complex, which came on stream last year, also comprises a polypropylene plant, which will remain in operation.

Difficult market conditions prompted the temporary closure. "Recession and surplus capacity are pushing prices for plastic raw materials like propylene down to the lowest levels ever seen. At the same time feedstock prices for propane are rising," Statoil explained.

The propylene facility has annual production capacity of 400,000 tonnes and the polypropylene facility has an 180,000-tonne capacity. The two-month closure will result *in a loss of 30,000 to 40,000* tonnes of propylene.

After overcoming a number of technical problems, the facility resumed normal production in August at 60 to 70 per cent of capacity.

Statoil said propylene prices had fallen to between DM400 and DM450 (£162 and £182) a tonne in the fourth quarter from DM600-DM650 last year while in recent weeks feedstock prices have risen rose to $195-$205 a tonne from $180.

In the first half of this year Statoil's petrochemicals division plunged into a loss of NKr172m from a profit of NKr100m in the same period last year. The company, due to report third-quarter figures in the next couple of days, warned of a deepening in losses by the division.

CORRECTION

Indian aluminium

IT WAS stated on this page on October 15 that National Aluminium Company was the only Indian aluminium producer to have its brand recognised by the London Metal Exchange. In fact, Bahrat Aluminium Company, Indian Aluminium Company, Hindalco and Aluminium Corporation of India all have brands registered as "good delivery" against LME contracts.

Aluminium upturn forecast for 1995

By Kenneth Gooding, Mining Correspondent

ALUMINIUM companies will have to wait until early 1995 before the metal's price recovers to a level they would regard as reasonable, suggests the Anthony Bird Associates consultancy in its latest market analysis.

It predicts that, at present exchange rates, aluminium will average 58.7 cents a lb ($1,294 a tonne) this year and 57.8 cents next year before showing a modest recovery to 62.7 cents in 1994.

Bird estimates that the industry's average production costs today are 54 cents a lb but "the relative position of the high-cost European smelters has continued to worsen, largely as a result of exchange rate changes. The cost position of the European industry is now becoming very unpleasant indeed."

Further production cuts among European aluminium smelters can be expected, Bird suggests, and smelters in the Commonwealth of Independent States are too inefficient to continue exporting to the west at the present pace.

However, excess stocks of aluminium in the west will remain high for some time and Bird does not expect supply and demand to be in balance until early 1995.

Aluminium Analysis, quarterly, £505 a year from Bird Associates, 193 Richmond Road, Kingston upon Thames, Surrey, KT2 5DD, UK.

'Green' law study planned

By Kenneth Gooding, Mining Correspondent

COOPERS & Lybrand, the accountancy firm, and the Metals & Minerals Research Services consultancy organisation, have set up a joint venture to monitor all aspects of environmental laws worldwide to assess the impact on copper, lead and zinc production.

The venture springs from a *comprehensive review* by MMRS completed in July this year which examined 700 pieces of legislation and came to the unsettling conclusion that the three base metals industries would have to find at least US$6bn to comply with existing environmental laws.

Mr Normand Champigny, of Coopers' Toronto office, said his firm would use its network of 700 offices in 112 countries to collect, collate and enter into a database all environmental laws affecting base metals production. Mr Simon Hobson of MMRS said his group would analyse these and forecast their impact on metals producers and markets. The partners expect to release their report in July next year and it will subsequently be updated quarterly.

NY exchange cuts gold and silver trading costs

By Laurie Morse in Chicago

THE UP-FRONT cost of trading precious metals futures on the New York Commodity Exchange (Comex) has fallen for the second time this month, making it even cheaper to trade those contracts.

Comex yesterday lowered the minimum margin, or good-faith deposit, that it requires customers to put down to trade futures on gold, silver, platinum, palladium, and copper. The smaller deposit requirements reflect flat price action in those contracts in recent months.

Most US futures exchanges, including Comex, calculate margins on a formula linked to a commodity's price volatility. An exchange official explained that, despite recent weakness in precious metals prices, long-term price movement in these contracts, particularly in silver futures, has held narrow ranges. Comex last lowered margins on October 14.

The exchange's requirement for a small customer to trade one gold futures contract fell to $931 yesterday, compared with $1,064 two weeks ago and about $1,300 a year ago. The silver margin fell to $665 a contract, from $798 two weeks ago and about $1,064 a year ago.

So far this year volume in the Comex's precious metals pits is below the 1991 level and sharply below the 1990 turnover, which included the turmoil linked to the Gulf war. J

In the first nine months of 1992, Comex silver volume dropped to 2.4m contracts, from 3.3m in the same period in 1991. Comex gold volume, while gaining in September, is also down, at 4.8m contracts in the first nine months, compared with 5m last year.

Precious metals prices are in an extended slump, partly because of the deflationary aspects of the world economy, analysts say, and more recently because of sizeable sales by producers.

WORLD COMMODITIES PRICES

MARKET REPORT

THE **GOLD** price fell to the lowest level for several weeks yesterday as the bullion market came under pressure from European selling, particularly German and UK. But support held at just above $341 a troy ounce. Some traders suggested that gold might trade down to $340 an ounce without uncovering stop-loss selling orders. London Metal Exchange base metals prices mostly held steady during the afternoon. **ZINC** traded quietly in a narrow range for most of the day, but short covering was triggered when some buying pushed the three months price above $1,130 a tonne. The three months **COPPER** price continued to fluctuate either side of $2,250 a tonne with trade buying still supporting the market on dips but little follow-through evident. **TIN** and **NICKEL** prices sustained early falls following news of British Steel's production cut, but traders said this was a "knee-jerk" reaction, and that the news would not make much long-term impact on the markets unless there was a round of substabtial European production cuts.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Dec)		+ or -
Dubai	$17.60-7.70u	-0.25
Brent Blend (dated)	$19.65-9.75	-0.30
Brent Blend (Dec)	$19.85-9.95	-0.25
W.T.I (1 pm est)	$21.15-1.20u	-.175
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$215-218	+1
Gas Oil	$181-193	-2.5
Heavy Fuel Oil	$104-106	
Naphtha	$194-196	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$341.25	-2.0
Silver (per troy oz)♣	375.5c	-4.0
Platinum (per troy oz)	$355.5	-1.3
Palladium (per troy oz)	$94.15	-0.25
Copper (US Producer)	104.0c	-0.5
Lead (US Producer)	38.5c	
Tin (Kuala Lumpur market)	14.30r	
Tin (New York)	269.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	108.86p	+0.05*
Sheep (live weight)†♠	73.54p	-1.25*
Pigs (live weight)†	86.96p	-0.22*
London daily sugar (raw)	$226.0w	-4.0
London daily sugar (white)	$261.5w	-2.5
Tate and Lyle export price	£262.0	+2.0
Barley (English feed)	£128.5u	
Maize (US No. 3 yellow)	£144.0	
Wheat (US Dark Northern)	Unq	
Rubber (Dec)♥	61.75p	+1.0
Rubber (Jan)♥	61.50p	
Rubber (KL RSS No 1 Oct)	222.0m	
Coconut oil (Philippines)§	$510.0y	
Palm Oil (Malaysian)§	$405.0u	+22.5
Copra (Philippines)§	$330.0	
Soyabeans (US)	£159.0w	+4.0
Cotton "A" index	52.05c	-0.65
Wooltops (64s Super)	413p	+4

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Jan/Mar y-Dec/Jan u-Dec w-Oct/Nov. z-Nov. †Meat Commission average fatstock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

SUGAR – London FOX			($ per tonne)
Raw	Close	Previous	High/Low
Dec	193.00	199.00	195.00 190.00
Mar	194.00	195.00	194.00 192.00
May	195.20		194.60
White	Close	Previous	High/Low
Dec	257.50	258.00	257.00 256.50
Mar	256.00	256.10	256.00 255.30
May	257.70	258.00	257.60 257.00
Aug	263.70	264.00	263.80 262.00
Oct	252.70	254.00	252.00 250.50
Mar	256.20		255.00 255.00

Turnover: Raw 86 (-) lots of 50 tonnes. White 393 (1801) Paris- White (FFr per tonne): Dec 1340.08 Mar 1361.71

CRUDE OIL – IPE			$/barrel
	Latest	Previous	High/Low
Dec	19.92	19.98	20.10 19.81
Jan	19.96	20.01	20.04 19.85
Feb	19.89	19.94	19.90 19.83
Mar	19.77	19.81	19.78 19.71
Apr	19.65	19.71	19.65 19.65
IPE Index	20.10	20.27	20.10 20.10

Turnover 18893 (26392)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Nov	188.75	191.25	191.00 187.50
Dec	190.75	193.00	193.00 189.50
Jan	192.00	194.00	193.25 190.50
Feb	189.25	190.50	189.75 188.25
Mar	183.75	184.50	184.00 183.25
Apr	179.25	180.00	179.50 179.00
May	176.25	177.00	176.25 176.00
Jun	174.75	175.75	174.75 174.75

Turnover 19331 (22419) lots of 100 tonnes

TEA

There were 21,241 packages for the day, reports the Tea Brokers' Association. Landed Assams were again well supported with medium and better liquoring kinds 5-10p dearer. Bangladesh teas attracted improved competition mostly at dearer rates. East Africans came to a strong and active market particularly for Pekoe Dusts. Price levels advanced by up to 10p. Offshore: fair demand with colouory mediums selling readily at dearer rates. The highest price realised was 272p for an Assam pf. Quotations: quality 200p, good medium 148p, medium 135p, low medium 88p.

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Dec	694	682	694 681
Mar	715	708	720 707
May	733	726	736 724
Jul	750	745	753 743
Sep	768	759	770 759
Dec	791	782	792 784
Mar	815	807	817 816
Sep	863	856	862 856

Turnover: 3832 (8246) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 23 747.78 (753.65) 10 day average for Oct 26 735.75 (735.55)

COFFEE – London FOX			$/tonne
	Close	Previous	High/Low
Nov	876	885	883 870
Jan	891	903	899 888
Mar	904	917	914 903
May	904	914	909 903

Turnover:2885 (4235) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 23: Comp. daily 54.75 (54.78) 15 day average 52.44 (52.05)

POTATOES – London FOX			£/tonne
	Close	Previous	High/Low
Apr	63.5	60.5	63.5 60.5

Turnover 134 (48) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Jun	138.00		138.00
Aug	137.70		138.50 137.70

Turnover 125 (0) lots of 20 tonnes.

FREIGHT – London FOX			$10/Index point
	Close	Previous	High/Low
Oct	1120	1122	1120
Nov	1210	1210	1210
Dec	1205	1205	1205
Jan	1230	1234	1230
BFI	1101	1093	1101

Turnover 22 (134)

GRAINS – London FOX			£/tonne
Wheat	Close	Previous	High/Low
Nov	126.50	125.95	126.60 126.50
Jan	129.50	129.15	130.00 129.50
Mar	132.50	132.00	133.00 132.45
May	135.50	134.60	135.50 135.40
Barley	Close	Previous	High/Low
Nov	123.50	123.50	124.00 123.50
Jan	127.60	127.50	128.00 127.60
Mar	130.85	130.75	131.00 130.65
May	132.50	132.00	132.50

Turnover: Wheat 179 (305), Barley 132 (25).
Turnover lots of 100 Tonnes.

PIGS – London FOX		(Cash Settlement) p/kg	
	Close	Previous	High/Low
Apr	104.5	104.0	104.0
May	104.5	105.0	104.0

Turnover:2 (31) lots of 3,250 kg

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 48,104 lots
Cash	1165-6	1161-2		1162-3		
3 months	1190-90.5	1185-6	1191/1186	1186-7	1188-9	173,928 lots
Copper, Grade A (£ per tonne)						Total daily turnover 23,693 lots
Cash	1405.5-6.5	1382-4	1407	1406-6.5		
3 months	1434-4.5	1409-10	1440/1432	1434-4.5	1433.5-4.0	143,255 lots
Lead (£ per tonne)						Total daily turnover 5,579 lots
Cash	324-6	324-4.5		327-7.5		
3 months	337-8	336-6.5	340/337.5	339-9.5	338-8.5	24,511 lots
Nickel ($ per tonne)						Total daily turnover 8,358 lots
Cash	6100-10	6120-30	6094/6082	6085-6		
3 months	6180-5	6200-10	6195/6150	6168-70	6180-5	31,238 lots
Tin ($ per tonne)						Total daily turnover 1,923 lots
Cash	5835-45	5875-80	5820	5810-20		
3 months	5895-900	5930-5	5950/5880	5870-80	5895-900	10,098 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 14,481 lots
Cash	1110-12	1108-10		1107-8		
3 months	1129-30	1126-8	1137/1128.5	1127-8	1136-7	86,869 lots

LME Closing £/$ rate:
SPOT: 1.5870 3 months: 1.5700 6 months: 1.5612 9 months: 1.5539

LONDON BULLION MARKET (Prices supplied by N M Rothschild)		
Gold (troy oz)	$ price	£ equivalent
Close	341.10-341.40	
Opening	342.70-343.10	
Morning fix	341.30	215.263
Afternoon fix	341.45	215.019
Day's high	342.70-343.00	
Day's low	340.85-341.15	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.12	6 months	2.31
2 months	2.14	12 months	2.58
3 months	2.21		

Silver fix	p/troy oz	US cts equiv
Spot	237.10	375.25
3 months	241.65	378.45
6 months	245.25	381.60
12 months	252.05	388.55

GOLD COINS	$ price	£ equivalent
Krugerrand	340.50-343.50	215.00-217.00
Maple leaf	351.90-354.20	-
New Sovereign	81.00-84.00	51.00-53.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Mar	Dec	Mar
1100	81	110	3	6
1200	15	41	34	38
1300	3	10	120	103
Copper (Grade A)	Calls		Puts	
2200	59	93	17	34
2300	13	42	70	81
2400	3	16	157	153
Coffee	Nov	Jan	Nov	Jan
750	202	142	24	1
800	166	96	38	5
850	134	58	56	17
Cocoa	Dec	Mar	Dec	Mar
625	69	101	1	11
650	47	83	4	18
675	28	66	10	26
Brent Crude	Dec	Jan	Dec	Jan
2000	17	47	28	49
2050	7	20	69	82
2100	3	13	114	

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Oct	341.1	343.6	342.0	340.5
Nov	341.0	343.5	0	0
Dec	341.7	344.2	342.4	341.2
Feb	343.0	345.5	343.7	342.5
Apr	344.3	346.9	344.6	344.0
Jun	345.9	348.5	346.2	346.2
Aug	347.7	350.2	0	0
Oct	349.6	352.1	0	0
Dec	351.6	354.1	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Oct	358.6	359.5	359.0	357.0
Jan	354.8	356.0	355.0	353.3
Apr	353.8	354.8	353.5	353.0
Jul	353.3	354.8	0	0
Oct	355.3	356.8	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Oct	374.4	376.9	375.5	375.5
Nov	374.4	376.9	0	0
Dec	375.7	378.2	376.5	376.0
Jan	377.0	379.5	0	0
Mar	379.4	381.9	380.5	378.5
May	382.1	384.5	383.0	382.0
Jul	384.8	387.2	385.5	384.5
Sep	387.7	390.0	388.0	388.0
Dec	392.3	394.5	393.0	391.5
Jan	393.8	396.0	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	99.35	98.35	99.25	98.50
Nov	99.55	98.55	98.45	98.70
Dec	100.10	99.10	100.30	99.20
Jan	100.50	99.55	99.80	99.80
Feb	100.80	99.85	100.80	100.30
Mar	101.10	100.15	101.10	100.35
Apr	101.50	100.50	101.40	101.40
May	101.90	101.05	101.70	101.45
Jun	102.30	101.50	102.20	102.20
Jul	102.60	101.90	102.60	102.10

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Dec	21.22	21.19	21.23	21.05
Jan	21.19	21.15	21.19	21.04
Feb	21.10	21.08	21.10	20.98
Mar	21.02	21.00	21.02	20.90
Apr	20.93	20.91	20.94	20.80
May	20.85	20.82	20.85	20.72
Jun	20.77	20.74	20.77	20.65
Jul	20.71	20.67	20.71	20.66
Aug	20.63	20.60	20.64	20.54
Sep	20.57	20.54	20.58	20.48

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Nov	61.85	61.80	61.90	61.20
Dec	62.60	62.41	62.65	61.90
Jan	63.05	62.93	63.10	62.50
Feb	61.90	61.92	62.00	61.55
Mar	60.05	60.08	60.05	59.65
Apr	58.20	58.43	58.25	58.10
May	57.30	57.23	57.30	57.00
Jun	56.43	56.43	0	0
Jul	56.28	56.28	0	0
Aug	56.80	56.83	56.50	56.50

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	967	964	970	950
Mar	1015	1013	1018	1000
May	1047	1045	1049	1033
Jul	1077	1075	1078	1069
Sep	1107	1105	0	0
Dec	1143	1141	1138	1138
Mar	1181	1179	0	0
May	1210	1208	0	0
Jul	1247	1245	0	0
Sep	1256	1253	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	65.85	65.40	66.20	64.30
Mar	67.80	67.10	67.95	66.80
May	70.75	70.15	70.75	69.00
Jul	72.40	71.50	72.50	71.00
Sep	73.80	72.65	73.80	72.65
Dec	76.15	75.10	0	0
Mar	77.00	76.66	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	8.64	8.71	8.70	8.61
May	8.76	8.80	8.80	8.73
Jul	8.81	8.83	8.83	8.78
Oct	8.80	8.85	8.82	8.79
Mar	8.85	8.89	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Dec	51.07	52.64	52.38	51.00
Mar	51.55	53.05	52.90	51.50
May	52.70	53.80	53.63	52.40
Jul	53.10	54.40	54.40	53.25
Oct	55.25	55.55	0	0
Dec	55.10	58.10	55.90	55.30
Mar	56.10	56.60	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	99.10	98.00	99.56	98.60
Jan	96.50	95.25	97.00	95.50
Mar	98.20	95.90	98.50	97.25
May	99.20	98.25	99.20	98.25
Jul	98.85	97.90	99.00	98.50
Sep	99.20	98.25	0	0
Nov	98.70	97.75	0	0
Jan	98.70	97.75	0	0
Mar	98.70	97.75	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Oct 26	Oct 23	mnth ago	yr ago
1643.8	1637.8	1565.5	1683.4

DOW JONES (Base: Dec. 31 1974 = 100)				
	Oct 23	Oct 22	mnth ago	yr ago
Spot	113.57	114.09	117.34	115.37
Futures	115.04	115.45	115.39	123.69

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Nov	541/6	544/2	543/6	541/2
Jan	547/2	548/6	548/6	546/0
Mar	553/2	554/6	555/0	552/0
May	560/0	561/0	561/4	558/0
Jul	567/0	568/0	568/4	566/0
Aug	569/2	570/6	571/2	568/6
Sep	569/4	569/0	571/0	569/4
Nov	575/2	575/2	576/4	573/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Dec	19.03	19.09	19.16	19.02
Jan	19.17	19.22	19.30	19.16
Mar	19.38	19.45	19.51	19.38
May	19.62	19.69	19.72	19.60
Jul	19.82	19.90	19.92	19.82
Aug	19.88	19.97	20.00	19.88
Sep	19.93	20.03	0	0
Oct	19.98	20.08	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Dec	182.9	183.6	183.3	182.5
Jan	183.0	183.6	183.4	182.6
Mar	182.8	183.6	183.4	182.6
May	182.8	183.7	183.6	182.6
Jul	184.6	185.2	185.3	184.2
Aug	185.3	185.8	186.0	185.0
Sep	186.5	186.5	187.0	186.3
Oct	187.5	188.1	187.5	187.5

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Dec	205/4	206/6	206/4	205/2
Mar	215/2	216/2	216/0	215/0
May	222/2	223/0	222/6	222/0
Jul	226/4	227/2	227/2	226/2
Sep	230/4	231/0	231/2	230/4
Dec	234/0	234/6	235/0	233/6
Mar	241/0	241/4	241/2	241/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	344/2	345/6	346/4	343/0
Mar	342/6	344/4	345/0	342/2
May	331/4	333/2	334/0	331/0
Jul	312/0	313/6	313/2	311/4
Sep	317/0	318/0	318/0	316/6
Dec	327/0	328/2	328/2	326/6

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	74.475	73.750	74.550	73.650
Feb	71.775	71.425	71.900	71.350
Apr	72.300	72.250	72.400	72.200
Jun	69.325	69.250	69.375	69.150
Aug	67.900	67.875	68.100	67.900
Oct	68.250	68.200	68.275	68.200
Dec	69.000	0	0	0

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Dec	43.925	43.950	44.250	43.750
Feb	42.550	42.625	43.075	42.350
Apr	40.200	40.125	40.575	39.950
Jun	45.150	44.975	45.400	44.850
Jul	44.700	44.500	44.800	44.500
Aug	43.550	43.600	43.600	43.450
Oct	40.700	40.600	40.750	40.550

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	42.600	42.725	43.400	42.125
Mar	42.625	42.225	43.475	42.200
May	44.175	44.550	44.900	43.700
Jul	44.800	44.700	45.000	44.000
Aug	43.850	44.200	44.200	43.300

LONDON STOCK EXCHANGE

Shares ease as base rate hopes cool

By Terry Byland, UK Stock Market Editor

HOPES FOR further reductions in domestic interest rates were put on hold in the UK stock market yesterday, leaving shares to drift easier in sluggish trading. A renewed fall in sterling, together with an inflation warning from the president of the Bundesbank, provided a nervous setting for the important economic speech to be delivered in the City of London on Thursday by Mr Norman Lamont, the UK chancellor of the exchequer; the same day also brings the parliamentary debate on the Maastricht proposals and a trading statement from ICI, still the bellwether of the London stock market.

A weekend featured by growing political pressures on the UK Conservative government of Mr John Major was followed by new evidence of the damage wrought by the economic recession in the UK. British Steel disclosed that it is cutting production by up to one fifth in the face of falling demand in UK and export markets.

Share prices opened higher but the rise was soon reversed when it became clear that technical pressures in the stock index sector had turned negative. The FT-SE Index was soon 13 points off and struggling to rally. London was keeping a wary eye on Wall Street as the US market braces itself for the Presidential election and tensions eased a little after the Dow came in almost unchanged in UK trading hours.

The final reading showed the FT-SE Index at 2,661.6 for a net loss on the day of 8.1 points. Dealers said that trading had been nervous, with investors unwilling to see last week's gains extended while the corporate reporting season remains so uncertain.

Seaq volume, slow at first, picked up a little as the December futures contract steadied to maintain a good premium. By the end of the session, 456.3m shares had traded through the Seaq network, compared with 586.3m on Friday. Yesterday's Seaq total was boosted by heavy turnover in a few shares, including British Steel and also Invesco MIM, the investment management group, where a substantial stake changed hands.

Retail, or customer, business was worth £1.4bn on Friday, maintaining the increased volume of genuine investment activity that has featured the UK equity market since Britain's abrupt departure from the ERM network in mid-September.

The market's performance was helped by firmness in the international pharmaceutical stocks, where prospects are believed to be particularly vulnerable to the outcome of the US presidential election and to federal welfare policy.

ICI also provided a good lead for equities, in spite of increasing nervousness ahead of this week's profits statement, which will be scanned for news on the plans to split the chemical monarch into two separate groups.

But the firmness in the US dollar did little to help the wider range of multi-national stocks which remained uncertain as traders studied the latest opinion poll ratings of the US presidential candidates, which indicated a narrowing in the lead of Democratic governor Bill Clinton over President Bush.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	16	410	+2
ASDA Group	2,000	41½	+½
Abbey National	3,000	327	-9
Albert Fisher	6,200	45	+5
Allied-Lyons	753	639	-1
Amstrad	203	25	
Anglian Water	1,400	435	-1
Argos	392	268	-3
Argyll Group	1,000	360	-5
Arjo Wiggins	683	189	-1
Ass. Brit. Foods	241	447	-2
Ass. Brit Ports	7	298	-1
BAA	462	722	-4
BAT Inds.	1,200	892	-12
BET	2,000	104	-6
BICC	951	248	+3
BOC	672	710	-5
BP	5,900	236	
BPB Inds.	1,600	174	+3
BT	4,000	371	-5
BT New	2,700	206	-8
BTR	2,600	498	-4
Bank of Scotland	1,200	115	-2
Barclays	2,800	345	+5
Bass	996	580	-2
Berisford Int.	72	78	
Blue Circle	1,700	157	-1
Booker	24	365	
Boots	744	482	
Bowater	248	682	-8
Brit. Aerospace	691	136	-2
British Airways	892	305	-½
British Gas	3,500	268½	+½
British Land	633	171	+2
British Steel	28,000	56	-6½
Bunzl	11	102	
Burmah Castrol	1,500	650	
Burton	1,800	45	+1
Cable & Wire.	2,500	592	-3
Cadbury Schweppes	1,100	455	+5
Calor Group	35	219	+2
Carlton Comms.	655	724	-1
Coats Viyella	808	209	+2

	Volume 000's	Closing Price	Day's change
Comm. Union	384	583	-2
Cookson	280	158	-3
Courtaulds	471	486	+8
Dalgety	856	440	+12
De La Rue	297	661	-5
Dixons	544	226	+2
Eastern Elect.	95	373	-1
East Midland Elect.	427	378	+2
Eng China Clays	628	430	-8
Enterprise Oil	1,700	443	-1
Eurotunnel Units	527	364	+4
FKI	91	87½	-½
Fisons	2,500	229	
Forte	1,500	171	-8
Gen. Accident	270	549	-3
General Elect.	4,800	243½	+½
Glaxo	2,000	784	+6
Glynwed Intl.	680	218	-5
Granada	388	288	-2
Grand Met.	3,200	398	-11
GUS A	569	1543	-22
GRE	576	158	-2
GKN	1,000	405	-10
Guinness	1,200	548	+6
HSBC (75p shs)	7,200	485	+5
Hammerson 'A'	28	215	
Hanson	3,500	231½	-1½
Hanson Warrants	1,000	30¼	-½
Harrisons Crosfield	523	132	-2
Hillsdown	1,800	108	+2
IMI	1,000	234	
ICI	2,100	1066	+19
Inchcape	310	506	+2
Kingfisher	601	540	-5
Kwik Save	57	720	+1
Ladbroke	2,900	157	
Land Securities	912	413	
Laporte	248	598	+1
Legal & General	144	385	-16
Lloyds Abbey	947	380	-11
Lloyds Bank	1,800	453	+1
LASMO	1,000	181	-2
London Elect.	266	401	

	Volume 000's	Closing Price	Day's change
Lonrho	1,300	89	-4
Lucas	1,100	107	
MB Caradon	454	276	-7
MEPC	1,300	320	+4
Manweb	336	448	
Marks & Spencer	1,800	343	
Midlands Elect.	74	405	+2
NFC	1,400	258	-6
NatWest Bank	3,900	379	-8
National Power	2,900	249	-1
Next	681	108½	
North West Water	492	453	-2
Northern Elect.	294	413	+2
Northern Foods	2,000	257	-4
Norweb	697	408	
Pearson	95	378	-8
P & O	281	438	
Pilkington	3,700	90	+2
PowerGen	1,800	251	-2
Prudential	1,800	280½	+½
RHM	2,700	248	-3
RMC	205	488	
RTZ	1,700	628	-3
Racal	1,400	155	+5
Rank Org.	249	584	-7
Reckitt & Colman	713	639	+8
Redland	2,800	342	-10
Reed Intl.	881	591	-13
Rentokil	788	189	
Reuters	181	1220	-3
Rolls Royce	1,800	131	-½
Rothmans	211	651	-2
Ryl Bk Scotland	1,800	173	+1
Royal Insurance	387	209	-6
Saatchi	114	150	
Sainsbury	1,800	498	-6
Scottish & New.	125	428	-5
Scot. Hydro-Elect.	617	219	-½
Scottish Power	3,300	202	
Sears	8,400	80	-1
Sedgwick	2,800	158	-2
Seeboard	600	394	
Severn Trent Water	990	422	-2

	Volume 000's	Closing Price	Day's change
Shell Transport	2,000	533	+4
Siebe	918	335	-14
Slough Ests	471	125	+8
Smith (W.H.) A	101	468	-2
Smith & Nephew	2,100	153½	+2
SmKl Beecham	2,100	511	+4
SmKl Beecham Uts	614	460	+3
Smiths Inds.	414	312	-9
Southern Elect.	827	381	+1
South Wales Elect.	37	483	+1
South West Water	184	454	
South West. Elect.	106	407	-4
Southern Water	30	419	-4
Standard Chartd.	611	305	-8
Storehouse	12,000	164	+3
Sun Alliance	580	312	-8
T&N	865	145	-5
TI Group	987	307	-11
TSB	5,300	142	-7
Tarmac	9,800	86	+4
Tate & Lyle	1,300	358	+1
Taylor Woodrow	392	85	+1
Tesco	1,800	240	
Thames Water	733	469	-1
Thorn EMI	1,100	814	+7
Tomkins	593	239	-8
Trafalgar House	185	67½	
Unigate	185	297	+4
Unilever	865	1094	+6
United Biscuits	911	325	-8
Utd. Newspapers	363	452	
Vodafone	2,800	374	-3
Warburg (SG)	118	682	-10
Wellcome	1,000	1009	+16
Welsh Water	462	483	-5
Wessex Water	180	537	-1
Whitbread 'A'	411	448	-4
Williams Hldgs.	437	277	-8
Wills Corroon	3,300	220	+6
Wimpey	116	101	-3
Wolseley	202	427	
Yorkshire Elect.	72	438	
Yorkshire Water	496	487	

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Oct 19	Nov 2	Nov 16
Option Declarations:		
Oct 29	Nov 12	Nov 26
Last Dealings:		
Oct 30	Nov 13	Nov 27
Account Day:		
Nov 9	Nov 23	Dec 7

*New time dealings may take place from 8.30am two business days earlier.

Heavy turnover in Steel

PLANS to reduce production by 20 per cent, together with a warning that worse could follow, sent shares in British Steel tumbling in heavy turnover of 23m, the second biggest of the day. The move, the latest against a bleak background for the European industry, raised doubts over British Steel's dividend prospects.

Mr Zafar Khan at Strauss Turnbull said that while the company had little choice in slashing output, the move would equate to a loss of £100m. He estimates that Steel's full-year losses will be in the region of £250m, with more to come if the company makes further production cuts in the fourth quarter.

"This raises a question mark over the dividend. The market was looking for around 3p, but we are now forecasting a halfpenny, or perhaps even less. There is no chance for income or capital appreciation for investors in the short or medium term. British Steel is dead money." The shares closed 6¼ off at 56p.

Lucas active

Reports that Mr Tony Edwards was quitting as group managing director of Lucas unsettled the shares in busy trading. The boardroom ructions at the automotive and aerospace group – the finance director resigned earlier this year – have left analysts questioning the board's strategy and have fuelled speculation that a predator might exploit the managerial uncertainty. However, the shares recovered from early falls yesterday to close steady at 107p.

Mr Edwards was seen as the architect of the so-called "Lucas Plans" to restructure the company and his departure raised questions in the market as to whether these plans will be pursued with the same vigour. "Lucas is the worst managed company in the market," one analyst said bluntly. "The board is in disarray and the chances of a bid must have been increased by these lastest developments." Siebe, off 14 at 335p, and BTR, down 4 at 498p, were two names touted as potential bidders.

Tarmac strong

Tarmac, the building materials/construction group, was the heaviest traded stock in a lively building sector after the company confirmed stories in the weekend press that it had won a series of government contracts totalling £100m for motorway improvements.

The programme involves widening and resurfacing part of the M6 in the north-west of England, the M25 near Heathrow airport and extending the M3 in Hampshire.

Tarmac shares raced up to 88p early in the session, with the market responding not only to the hints of the new government contracts but also to the long-running but nevertheless persistent stories that a potential predator is lurking in the wings. Minorco, the international mining and metals group linked to Mr Harry Oppenheimer's international mining empire, has long been viewed as a potential buyer of Tarmac.

Specialists refused to ignore the bid stories surrounding Tarmac, pointing out that profit margins on contracts such as the motorway projects are typically only in the region of 1 to 2 per cent. By the close Tarmac shares had come back to close a net 4 higher at 86p. Turnover was a heavy 9.1m.

Wellcome wanted

Pharmaceutical group Wellcome attracted interest ahead of results on Wednesday. The shares burst through the £10 barrier to record a more than 25 per cent rise since the £2.3bn issue at 800p a share in July.

The rise in the shares has been checked recently as a result of US selling following worries that drug prices will be held down if Bill Clinton is elected president. However, the worries were partly eased by press comment yesterday.

Also, securities house Hoare Govett reinforced its buy recommendation and argued that analysts will be bound to upgrade profit estimates for the forthcoming year as a result of the stronger dollar. More than half the company's profits come from the US. The shares were up 26 at one stage but suffered from some profit-taking and closed a net 16 higher at 1009p.

The recent slippage in oil prices, resulting from fears of increased production, kept the oil sector under modest pressure. Shell was the odd man out in the sector, the shares edging up 4 to 533p, as recent hefty selling pressure, prompted by a County sell note, dried up. Lasmo eased 2 to 181p, reacting to "take profits" advice in the weekend press.

The rap on the knuckles from the accounting board failed to cause any real damage to British Gas which held around 268¼p.

HSBC was the most active of the clearing banks, with the shares shrugging off worries about strained relations between the UK and China, and closing 5 higher at 485p after turnover of 7.2m.

TSB, the subject of considerable takeover speculation during the past couple of weeks, eased to 142p on good turnover of 5.3m after Smith New Court lowered its profits estimates for the bank.

Activity in insurances was at a low ebb, but broker Willis Corroon picked up 6 to 220p and life assurance group London & Manchester 10 to 269p.

Glaxo bucked the market to add 6 at 784p. Mr James Culverwell at Hoare Govett said he was drawing clients attention to the fact that "the stock has lagged Wellcome but, longer term, has a more exciting research and development pipeline".

Pharmaceuticals manufacturer Medeva moved up 5 to 198p ahead of an analysts' trip to Liverpool today.

Tobacco to insurance conglomerate BAT Industries slipped 12 to 892p as Carr Kitcat & Aitken argued that the stock was over-priced. Carr conglomerates analyst Mr Martin Hawkins likes the long-term prospects but feels the dividend payment is likely to be less attractive than previously. The group is to publish third-quarter figures on November 4.

ICI, which is to publish third-quarter figures on Thursday, performed well despite increasingly gloomy forecasts. Japanese house Nikko likes the stock but joint broker Hoare Govett, which shocked the market recently with sharp profit forecast cuts believes it may have to reduce estimates further. It also has the stock as a "hold" which because of Hoare's brokership relationship with the company many interpret as a tacit "sell" recommendation. The shares lifted 19 to 1066p.

Invesco MIM, the investment management group, was the market's heaviest traded stock after Drayton Consolidated, the investment trust, sold its shareholding, via a series of agency crosses executed at 77p a share. The shares gained 8¾ to 77p. Turnover in Invesco totalled 49m shares.

The disposal by Storehouse of its Habitat and Richard Shops, although expected, still managed to lift the shares as analysts expressed approval of the higher price obtained for Habitat than had been expected. The shares rose 3 to 164p.

A suspected bear raid on Grand Metropolitan left the shares reeling, touching 394p, although they later recovered to 398p, a fall of 11 on the day. Spurious stories that the drinks giant had suffered substantial losses on foreign exchange markets were angrily denied by the company.

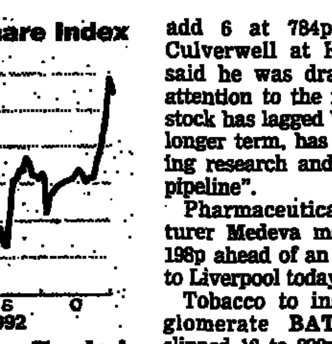
Redland and Marley were two of the poorest performers in building materials after BZW, the investment bank, lowered profits expectation for both. BZW reduced current year forecast for Redland by £6m to £192m and next year's by £5m to £200m. For Marley, BZW moved down to £10m for this year. The broking firm cited increasingly aggressive pricing in the UK bricks and roof tiles businesses for the downgrades.

Redland settled 10 lower at 342p, on 2m traded, and Marley dipped 4 to 76p with 677,000 shares changing hands. An institutional visit to Marley's operations in Germany commences today.

MARKET REPORTERS:
Christopher Price
Steve Thompson
Peter John

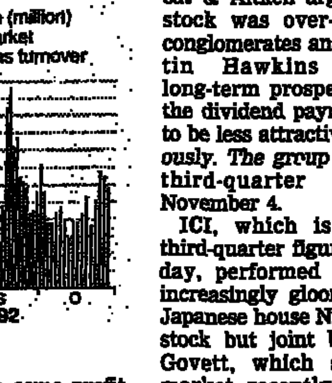
■ Other market statistics, Page 28

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (87).
BRITISH FUNDS (10) Tr. 2pc IL '94, Tr. 2pc IL '96, Tr. 4⅝pc IL '98, Tr. 2½pc IL '01, Tr 2½pc IL '03, Tr. 4⅜pc IL '04, Tr. 2pc IL '06, Tr 2½ IL '09, Tr. 2½pc IL '11, Tr. 2½pc IL '13, **AMERICANS** (5) Cont'l Bank, Dun & Bradstreet, Eaton, Houston Inds., Pall, **CANADIANS** (2) Imperial Oil, Intl. Corona, **BANKS** (1) Deutsche, **BUSINESS SERVICES** (3) Casket, Reliance Sec., Serco, **CHEMICALS** (4) BASF, Bayer, Engelhard, Hoechst, **ELECTRICALS** (1) Johnson, **ELECTRONICS** (1) Racal, **ENGINEERING GENERAL** (1) FKI, **FOOD MANUFACTURING** (3) Usborne, Nestle' (Br), Do (Reg), **FOOD RETAILING** (3) Kwik Save, Morrison (Wm), Do 5¼pc Pf., **INSURANCE COMPOSITE** (1) Gen. Accident, **INSURANCE LIFE** (3) Lincoln Natl., Prudential, Torchmark, **INVESTMENT TRUSTS** (17) Abtrust New Thai, Alliance Tst., American Tst., Brit. Assets 6pc Cv. '95, Fleming Amer., Do Cv '99, I & S Optimum Inc. Zero Pf., Independent, JF Pacific Wrt., Kleinwort High Inc. Zero Pf., Kleinwort Overseas, Murray Split Cap Zero Pf., River & Merc. Stppd. Pf., St. Davids Zero Pf., Siam Fund, TR Tech. Zero Pf., Thai Euro., **MEDIA** (1) News Intl., **MERCHANT BANKS** (1) Barings 8pc Pf., **MISCELLANEOUS** (1) Rothmans, **OIL & GAS** (4) Calor, Chevron, Lasmo 9⅝pc Pf., Ramco, **OTHER FINANCIAL** (2) Prov. Financial, Templeton Galbraith, **PROPERTY** (1) Slough 8pc Cv. '03, **STORES** (1) Storehouse, **TRANSPORT** (1) CSX.
NEW LOWS (39).
BREWERS & DISTILLERS (1) Fuller STA, **BUILDING MATERIALS** (1) Latham (J), **BUSINESS SERVICES** (3) Air London, REA, Welpac, **CONTRACTING & CONSTRUCTION** (3) Barcom, Brandon Hire, Melville, **ELECTRONICS** (1) Molynx, **ENGINEERING GENERAL** (1) Hall, **FOOD RETAILING** (1) Ashley 8¼pc Pf., **HOTELS & LEISURE** (1) Eurocamp, **INVESTMENT TRUSTS** (2) Exmoor Dual Zero Pf., Martin Currie Euro. Wts., **MEDIA** (4) Clarke Hooper, Home Counties, Metro Radio, Radio Clyde, **METAL & METAL FORMING** (1) Cook (Wm), **OIL & GAS** (2) Intl. Petroleum, North Sea Assets, **OTHER FINANCIAL** (2) Baltic, Do 7pc Cv Pf., **PACKAGING, PAPER & PRINTING** (1) Intl. Comm. & Data, **PROPERTY** (2) Benchmark, Bucknall, **TEXTILES** (2) Parkland A, Tomkinsons, **MINES** (2) Cluff Res., Waverley.

FINANCIAL TIMES EQUITY INDICES

	Oct 26	Oct 23	Oct 22	Oct 21	Oct 20	Year ago	High	Low
Ordinary share	1976.2	1981.7	1969.8	1951.3	1912.9	1954.0	2149.7	1670.0
Ord. div. yield	4.60	4.59	4.61	4.63	4.70	4.91	5.34	4.24
Earning yld % full	6.58	6.57	6.59	6.62	6.72	7.61	-	-
P/E ratio net	19.32	19.29	19.28	19.19	18.91	16.50	20.84	15.79
P/E ratio nil	17.96	17.93	17.93	17.84	17.58	15.76	-	-
Gold Mines	77.6	74.8	74.8	74.4	71.2	169.8	160.6	65.0

*for 1992 Ordinary share index since compilation: high 2149.7 22/5/92 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
1983.3	1972.3	1975.2	1973.7	1974.2	1972.8	1972.7	1976.9	1976.4	1987.1	1972.1

Volume	Oct 26	Oct 23	Oct 22	Oct 21	Oct 20	Year ago
SEAQ Bargains	24,437	28,311	29,944	32,243	25,321	25,373
Equity Turnover(£m)†	-	1388.8	1295.7	1543.1	1122.4	1004.0
Equity Bargains†	-	33,206	34,315	38,344	27,699	23,812
Shares traded (mil)†	-	585.2	627.3	691.9	508.4	457.8

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

DERIVATIVES dealers were surprised yesterday by a substantial deal in Amstrad options which represented almost 10m shares. This activity ensured healthy turnover in an otherwise quiet day, writes Peter John.

The two-for-one Amstrad deal consisted of a trader buying 3,200 June 25 calls at 5p a share and selling 6,400 June 30 calls at 2.5p. The investor will make money if the shares are at between 25p and 35p next June and the deal was interpreted as speculation on Mr Alan Sugar making a successful bid at 30p a share for the outstanding share capital of the electronics group.

The other significant trade was a roll-over in Sainsbury calls from the near month to January representing just over 3,000 lots. As a result of these two deals, total turnover was well above break-even point at 36,865 lots.

Meanwhile, the contract on the FT-SE 100 for December delivery darted around in early trading but settled back in the afternoon to trade within a narrow range and close 23 down at 2,698 with only 5,306 contracts dealt.

December reached a high of 2,724 at the start of trading, forced up by growing hopes that interest rates will be 6 per cent by the end of the year. Then the contract fell sharply, pared by worries that in view of prevalent political and economic uncertainties, the stock market may be over-priced.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2661.6 -8.1	2509.6 +3.7	1256.9 -2.43

	Oct 26	Oct 23	Oct 22	Oct 21	Oct 20	Year ago	1992 High	1992 Low	Since compilation High	Since compilation Low
FT-SE 100	2661.6	2669.7	2658.1	2645.7	2617.0	2553.3	2737.8	2281.0	2737.8 11/5/92	986.9 23/7/84
FT-SE Mid 250	2509.6	2505.9	2494.6	2464.2	2410.4	2528.4	2825.0	2157.8	2825.0 20/5/92	1379.4 21/1/86
FT-SE-A 350	1281.5	1284.3	1278.7	1270.8	1254.3	1243.5	1342.7	1103.1	1342.7 11/5/92	664.5 14/1/86

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2670.4	2658.5	2662.9	2660.5	2659.7	2658.9	2659.5	2666.4	2662.3	2675.0	2656.5
FT-SE Mid 250	2506.8	2504.6	2505.0	2506.2	2506.4	2505.6	2505.8	2508.4	2509.2	2509.7	2503.5
FT-SE-A 350	1284.6	1279.8	1281.6	1280.8	1280.5	1280.1	1280.4	1283.3	1281.5	1286.7	1279.0

Gross dividend yield (ACT at 25%) FT-SE 100:4.52 %

FT-Actuaries All-Share

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Oct 26 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Fri Oct 23 Index No.	Thu Oct 22 Index No.	Wed Oct 21 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (175)	768.45	-0.9	7.39	5.69	17.66	28.80	775.09	769.02	760.37	813.15
2 Building Materials (23)	747.86	-0.3	7.00	7.31	20.22	35.72	749.84	732.89	721.43	980.35
3 Contracting, Construction (26)	627.11	+0.2	3.21	7.94	247.87	36.21	626.16	619.74	604.33	1060.81
4 Electricals (9)	2102.27	+0.9	7.92	7.16	16.70	108.10	2082.57	2052.57	1988.33	2486.19
5 Electronics (27)	2058.55	+0.3	7.92	4.14	15.88	47.93	2051.99	2035.01	2046.60	1706.53
6 Engineering-Aerospace (6)	282.29	-1.2	12.54	8.32	10.14	13.70	285.66	284.10	279.35	356.86
7 Engineering-General (43)	446.74	-1.5	9.01	5.27	14.17	15.75	453.74	451.53	442.48	486.63
8 Metals and Metal Forming (7)	290.73	-5.3	5.98	7.53	24.32	7.52	307.13	309.12	303.81	434.89
9 Motors (15)	316.42	-1.5	6.16	7.43	24.19	17.59	321.29	319.21	311.22	340.96
10 Other Industrials (19)	1804.86	-1.0	6.92	4.61	17.47	60.38	1823.21	1816.48	1803.91	1586.38
21 CONSUMER GROUP (191)	1652.89	......	6.98	3.50	17.75	35.20	1652.37	1641.07	1641.37	1562.32
22 Brewers and Distillers (25)	1980.70	-0.5	8.39	3.73	14.37	41.53	1991.01	1967.79	1956.20	1945.25
25 Food Manufacturing (19)	1258.86	+0.4	8.48	4.20	14.65	31.83	1253.75	1245.47	1245.15	1206.68
26 Food Retailing (18)	2901.39	-0.4	8.60	3.18	15.09	54.15	2912.89	2903.99	2881.59	2400.57
27 Health and Household (26)	4252.04	+0.9	5.18	2.62	22.38	72.10	4213.07	4212.84	4284.03	3875.90
29 Hotels and Leisure (18)	1121.22	-0.4	7.01	6.08	18.77	46.03	1126.23	1103.56	1087.54	1337.65
30 Media (26)	1644.52	-0.7	6.03	3.20	20.69	35.18	1656.18	1640.44	1630.41	1505.90
31 Packaging, Paper & Printing (17)	750.69	-0.5	6.76	4.32	18.42	22.68	754.18	752.06	739.01	756.14
34 Stores (33)	1071.55	-0.2	6.72	3.39	19.71	19.93	1073.91	1062.14	1060.86	1017.67
35 Textiles (9)	695.45	+0.8	6.83	4.41	18.44	16.65	690.11	690.56	676.46	644.73
40 OTHER GROUPS (116)	1324.09	-0.5	9.43	5.12	13.26	40.80	1330.70	1327.41	1320.19	1256.72
41 Business Services (18)	1400.77	-0.4	6.31	3.64	19.40	30.60	1406.42	1406.92	1390.44	1400.18
42 Chemicals (22)	1354.46	+1.0	7.24	5.36	17.15	48.48	1341.60	1355.77	1338.61	1439.08
43 Conglomerates (10)	1356.86	-1.0	8.50	8.11	15.07	40.93	1370.02	1360.77	1343.41	1478.85
44 Transport (13)	2538.78	-0.3	8.06	4.66	15.11	76.54	2547.34	2577.45	2548.38	2323.98
45 Electricity (16)	1379.24	-0.1	15.06	5.32	8.56	55.01	1381.10	1369.32	1395.36	1201.97
46 Telephone Networks(4)	1518.62	-1.1	9.95	4.35	13.10	46.15	1535.45	1537.21	1528.91	1543.07
47 Water(11)	3009.31	-0.4	14.86	5.75	7.45	86.85	3020.35	3011.57	3013.30	2304.56
48 Miscellaneous (22)	2290.36	-0.9	5.75	4.40	21.84	55.75	2310.33	2261.46	2235.65	1820.17
49 INDUSTRIAL GROUP (482)	1325.90	-0.3	7.85	4.40	15.96	35.99	1329.79	1322.39	1317.62	1279.84
51 Oil & Gas (18)	2132.13	+0.3	6.31	6.08	20.75	97.68	2126.14	2118.34	2116.60	2419.27
59 500 SHARE INDEX (500)	1400.40	-0.2	7.69	4.57	16.36	40.79	1403.66	1396.12	1391.50	1377.49
61 FINANCIAL GROUP (83)	806.82	......	-	5.44	-	31.00	807.27	806.90	789.95	777.45
62 Banks (9)	1102.26	+0.1	4.70	5.05	31.95	40.52	1101.49	1101.18	1074.22	920.18
65 Insurance (Life) (6)	1619.65	-0.2	-	5.61	-	68.18	1623.47	1623.02	1595.64	1441.79
66 Insurance (Composite) (7)	576.85	-1.3	-	5.22	-	22.58	584.46	581.18	569.77	569.20
67 Insurance (Brokers) (10)	768.10	+0.8	9.32	7.32	14.10	42.23	762.00	734.00	701.39	1105.62
68 Merchant Banks (7)	477.08	-0.8	-	4.70	-	13.71	481.13	483.16	475.31	479.18
69 Property (30)	589.70	+1.0	9.45	7.14	13.90	23.61	583.92	594.83	592.65	893.90
70 Other Financial (14)	253.75	+1.1	7.86	6.57	16.72	9.35	251.02	250.18	246.21	257.04
71 Investment Trusts (70)	1206.37	+0.4	-	3.72	-	27.54	1201.73	1204.07	1184.81	1229.54
99 ALL-SHARE INDEX (653)	1256.90	-0.2	-	4.67	-	37.90	1259.33	1253.63	1246.09	1233.69

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrcn	1259.4	1257.6	1257.6	1256.2	1253.9	1253.9	1253.2	1253.2	1254.0	1254.0	1258.7	-4.7
Health&H	1280.3	1280.3	1285.9	1286.1	1286.0	1286.5	1286.5	1293.1	1288.5	1287.2	1274.9	+12.3
Water	1246.7	1240.8	1239.2	1239.3	1239.2	1239.2	1239.4	1241.2	1243.4	1244.0	1248.1	-4.1
Banks	1337.7	1322.0	1334.0	1332.1	1331.2	1332.5	1337.3	1340.9	1339.3	1338.5	1338.4	+0.1

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Treas 8¾pc 1993		100½	—	100⅝	97½	8.22	8.91
10pc 1993‡‡		101½	-1/16	101½	99 1/16	9.86	6.69
12½pc 1993‡‡		104¼	—	104¼	100½	12.00	6.40
Funding 6pc 1993‡‡		99⅝	+1/16	99½	95¼	6.02	[illegible]
Treas 13¾pc 1993‡‡		107 xd	+1/16	107½	103	12.80	[illegible]
8½pc 1994		102	+1/16	102½	96¼	8.32	[illegible]
14½pc 1994‡‡		109½	—	110	104½	13.19	[illegible]
Exch 13½pc 1994		109⅝ xd	—	109⅞	103½	12.31	[illegible]
Treas. 10pc Ln. 1994‡‡		105	—	105½	98½	9.52	[illegible]
Exch 12½pc 1994		109½	-1/16	110⅛	103	11.48	[illegible]
Treas 9pc 1994‡‡		104 xd	-1/16	104¼	96⅝	8.69	[illegible]
12pc 1995		110⅝	-1/16	111	102½	10.87	[illegible]
Exch 3pc Gas 90-95		94¼ xd	+¼	94½	88¼	3.19	[illegible]
10¼pc 1995		108	—	108½	99	9.48	[illegible]
Treas 12¾pc 1995‡‡		115½ xd	-1/16	116	105⅛	11.05	[illegible]
14pc 1996		119	-1/16	119½	109½	11.76	[illegible]
9pc 1992-96‡‡		106	+1/16	104½	95	8.95	[illegible]
15¼pc 1996‡‡		124 xd	-1/16	124½	113½	12.29	[illegible]
Exch 13¼pc 1996‡‡		118¼ xd	-⅛	118½	108	11.22	[illegible]
Conversion 10pc 1996		109¼ xd	-⅛	110½	98½	9.11	[illegible]
Treas 13¼pc 1997‡‡		120½	-1/16	121¼	109½	10.99	[illegible]
Exch 10½pc 1997		111½	-1/16	112½	100½	9.48	[illegible]
Treas 8¾pc 1997‡‡		106	-1/16	106½	94	8.25	[illegible]
8¾pc '97 E‡‡		29⅛	-1/16	29⅝	25	8.24	[illegible]
Five to Fifteen Years							
Exch 15pc 1997		129½	-⅛	130⅛	117½	11.57	[illegible]
9¾pc 1998		109¾	-¼	110½	97½	8.88	7.46
Treas 7¼pc 1998		25½	—	25½	25	7.2	7.20
Treas 6¾pc 1995-98‡‡		97½ xd	-⅛	98½	86½	6.91	7.28
15½pc '98‡‡		134½	-⅛	135½	123	11.48	7.98
Exch 12pc 1998		119¼ xd	-⅛	120½	107½	10.02	7.85
Treas 9½pc 1999‡‡		109⅛	-⅛	109⅞	97	8.71	7.82
Exch 12¼pc 1999		121	-1/16	122	109½	10.09	7.94

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 10½pc 1999		114 xd	-1/16	114½	101½	9.20	7.70
Conversion 10¼pc 1999		113¼ xd	-⅛	113½	100½	9.04	7.76
9pc 2000‡‡		107⅛	-¼	107¼	94⅝	8.38	7.85
Treas 13pc 2000		126½	-⅛	127	114½	10.26	8.20
[illegible]							
Undated							
Consols 4pc		43¼	-⅛	44¾	39⅞	9.25	—
War Loan 3½pc‡‡		38 xd	-⅛	39⅞	35	9.08	—
Conv 3½pc '61 Aft		61½	-⅛	63⅛	59	5.65	—
Treas 3pc '66 Aft		32⅛	-⅛	39⅛	29½	9.29	—
Consols 2½pc		28	-⅛	28⅞	24½	8.93	—
Treas. 2½pc		27½	-⅛	28	24½	9.03	—

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield (1)	Yield (2)
Index – Linked	(b)						
Treas. 2pc '94	(102.9)	131 xd	+⅛	131	122⅞	0.75	2.44
2pc '96	(67.9)	184½	+⅛	184½	176	2.07	2.77
4⅝pc '98	(135.3)	62	—	62	55½	2.78	3.31
[illegible]							

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
[illegible]							
Leeds 13½pc 2006		124½	—	125	116¼	10.84	10.20
Liverpool 3½pc Irred		33½	—	34	30	10.59	—
LCC 3pc '20 Aft		30¾	—	31¾	27	9.76	—
Manchester 11½pc 2007		109¼	—	111¼	103¼	10.48	10.21
Met. Wtr. 3pc 'B'		63¾	—	63¾	53	4.71	8.22
N'wide Anglia 3⅞pc 2021		117	—	117¼	103¼	—	5.00
4¼pc IL 2024		115¾	—	115¾	103¼	—	4.79
Utd Mex States 16½pc 2008		127¼	—	127¼	121½	12.97	12.51

LEGAL NOTICES

Meeting of Creditors pursuant to Sections 98, 99, 100 and 101 of The Insolvency Act 1986
MERCIA THEATRE SERVICES LIMITED
NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a meeting of creditors of the above-named Company will be held at 7 Kendick Place, London W1H 3FF on 23rd October 1992 at 11.15am for the purposes provided for in Section 98 et seq.
A list of names and addresses of the above Company's Creditors can be inspected at the offices of Lonam Crossley & Davis, 7 Kendick Place, London W1H 3FF, between the hours of 10.00 am and 4.00 pm on the two business days preceding the Meeting of Creditors.
Dated this 16th October 1992
Simon Edward Nickerson, Director

PUBLIC NOTICE

THE BRITISH POLIO FELLOWSHIP

BELL CLOSE, WEST END ROAD, RUISLIP, MIDDLESEX HA4 6LP

(The Infantile Paralysis Fellowship, registered as a charity in accordance with the National Assistance Act 1948)

As required by the Regulations governing Permits, the Fellowship announces the result of the Street Collection held in the Metropolitan Police and City of London areas on 11th July and 4th September respectively as follows:-

Metropolitan

Income	19,883.62
Less Expenses	340.92
Net result	£19,542.70

City

Income	6,731.46
Less Expenses	162.30
Net result	£6,569.16

The British Polio Fellowship records its earnest gratitude to the members of the public for their generous support and its appreciation to all collectors who made this voluntary effort possible.

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS
Registered Name: JOYNSON HOLLAND AND COMPANY LIMITED
Registered Number: 2543113.
Trading name: Joynson Holland
Trade classification: 08
Names and addresses of Joint Administrative Receivers:
Neil Hunter Cooper, Robson Rhodes, 186 City Road, London EC1V 2NU
Ipe Jacob, Robson Rhodes, 186 City Road, London EC1V 2NU
Office holder numbers: 005399/01 and 002121
Date of appointment: 19 October 1992
By whom appointed: Barclays Bank PLC
Date of Charge: 24 June 1991
Nature of charge: Fixed and floating
N. H. Cooper, and I. Jacob
Joint Administrative Receivers

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS
Registered Name: AEROCOMPONENTS LIMITED
Trading name: Aerocomponents Limited
Trade classification: 07
Names and addresses of Joint Administrative Receivers:
Neil Hunter Cooper, Robson Rhodes, 186 City Road, London EC1V 2NU
Ipe Jacob, Robson Rhodes, 186 City Road, London EC1V 2NU
Office holder numbers: 005399/01 and 002121
Date of appointment: 19th October 1992
By whom appointed: Barclays Bank PLC
Date of Charge: 24th June 1991
Nature of Charge: Fixed and Floating
N. H. Cooper and I. Jacob,
Joint Administrative Receivers

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS
Registered Name: DLM (FOAM) LIMITED
Registered Number: 2352659
Trading name: DLM (Foam) Limited
Trade classification: 11
Names and addresses of Joint Administrative Receivers:
Neil Hunter Cooper, Robson Rhodes, 186 City Road, London EC1V 2NU
Ipe Jacob, Robson Rhodes, 186 City Road, London EC1V 2NU
Office holder numbers: 005399/01 and 002121
Date of appointment: 19th October 1992
By whom appointed: Barclays Bank PLC
Date of Charge: 24th June 1991
Nature of Charge: Fixed and Floating
N. H. Cooper and I. Jacob,
Joint Administrative Receivers

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS
Registered Name: JOYNSON HOLLAND (HOLDINGS) LIMITED
Registered Number: 253237.
Trading name. Joynson Holland (Holdings) Limited
Trade classification: 35
Names and addresses of Joint Administrative Receivers:
Neil Hunter Cooper, Robson Rhodes, 186 City Road, London EC1V 2NU
Ipe Jacob, Robson Rhodes, 186 City Road, London EC1V 2NU
Office holder numbers: 005399 and 002121
Date of appointment: 19 October 1992
By whom appointed: Barclays Bank PLC
Date of Charge: 24 June 1991
Nature of charge: Fixed and floating
N. H. Cooper, and I. Jacob
Joint Administrative Receivers

LONDON SHARE SERVICE

AMERICANS

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

MINES - Cont.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

		Price	+or-	1992 high	1992 low	Mkt Cap£m	Yld Gr's
Greenwich Res.		5½	—	11	2	4.05	–
Hemlo Gold C$		£4⅝	..	£5[illegible]	£3¾	445.9	21
‡‡Ivernia West I£		37	+1	53	32	18.8	–
‡‡Kells Mins I£		18	—	42	14	0.49	–
Kenmare		4¼	—	8½	2¼	4.88	–
Melinga Res.		11	+2	48	8	1.21	–
‡‡Navan Res I£		31½	+½	31½	16	4.22	–
North West Expl A$		3	—	8	2	1.01	–
Oryx Gold		48	—	188	48	–	–
Plateau		3#	—	13	3	1.37	–
RTZ		628	–3	668	469	6,298	4.1
Vizcaya		1¼	—	3	1	0.87	–
Western & Pac C$		21½	–6½	86	7	11.8	–

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
† Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
◆ Figures or report awaited
♣ Free annual/interim report available, see details below.
‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
# Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
◆ Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment schemes.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

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You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7181, quoting the code FT2651. Reports will be sent the next working day, subject to availability. Please quote the current code above, which is changed weekly. Only one report per company.

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Annual subscription £250.00 stg.
Call +44 71-925 2128 for more details.

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F

51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	138.0	139.6	146.9	+4.50	0.00
AIB Grofund Equity	5	185.7	188.6	199.6	+1.30	1.76
AIB Grofund Euro	5	139.7	141.8	149.3	+3.00	0.41
AIB Grofund Gilt	3	74.36	74.38	76.68	+0.22	5.59
AIB Grofund Japan	5	120.3	121.7	128.1	+1.80	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H

Equity & Law Hse, Corporation St, Coventry 0203 553231

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	5	371.0	373.3xd	397.2	+0.7	3.30
General Acc	5	404.0	406.6xd	432.6	+0.8	3.30
UK Growth Acc	6	272.3	276.8xd	294.5	-0.1	3.73
UK Growth Inc	6	195.3	198.5xd	211.2	-0.1	3.73
Higher Inc Acc	6	462.3	470.9xd	501.0	-0.4	5.28
Higher Inc Inc	6	285.0	290.3xd	308.9	-0.3	5.28
Gilts/Fxd Int Acc	5½	166.1	166.1xd	175.6	+0.8	7.11
Gilts/Fxd Int Inc	5½	89.48	89.48xd	94.62	+0.41	7.11
Nth America	6	217.4	222.3xd	236.5	+6.3	0.00
Far East	6	224.3	224.3xd	238.7	+2.9	0.48
Europe	6	194.9	194.9xd	207.4	+7.6	0.88
Brit Excel	6	55.92	55.92	59.49	-0.05	3.79
Brit Fedmtls Acc	6	70.87	70.87xd	75.40	-0.08	6.09
Brit Fedmtls Inc	6	55.63	55.63xd	59.18	-0.07	6.09
Global Opps	6	57.37	58.24	61.96	+1.03	0.02

Abbey Unit Tst Mngrs (1000)H

80 Holdenhurst Rd, Bournemouth 0345 717373

High Income

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gilts & Fixed Int	6	126.9	126.9xd	134.6	+0.5	7.69

Britannia Life Unit Managers Ltd (1200)F

190 West George St, Glasgow G2 2PA 041-332 3132

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	79.33	80.44xd	86.03	+0.16	2.40
Do (Accum)	6	86.61	87.82	93.93	+0.18	2.40
Smaller Cos	6	59.56	59.56	63.70	+0.27	2.61
Do (Accum)	6	63.61	63.61	68.03	+0.29	2.61
Higher Yield	6	31.44	31.91xd	34.13	+0.55	5.57
Do (Accum)	6	42.50	43.14	46.14	+0.75	5.57
American Gth Inc	6	43.23	43.23	46.24	+0.65	0.16
Do (Accum)	6	44.06	44.06	47.12	+0.66	0.16
European Growth	6	85.83	85.83xd	91.80	+1.51	2.09
Do (Accum)	6	86.63	86.63	92.65	+1.52	2.09
Global Bond Inc	6	27.68	27.72	29.43	+0.58	5.11
Do (Accum)	6	33.17	33.22	35.26	+0.69	5.11
Managed P'folio Inc	6	27.74	27.82xd	29.75	+0.32	0.00
(Do Accum)	6	27.82	27.90	29.84	+0.33	0.00
Pacific Growth Accum	6	75.70	76.45	81.78	+1.51	1.03
Intl Spec Opps Accum	6	63.92	64.94	69.45	+0.56	1.83

Brown Shipley & Co Ltd (1000)F

9-17 Perrymount Rd Haywards Hth 0444 412262

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd P'folio Inc	6	73.89	73.89	78.69	+0.56	2.66
Mngd P'folio Acc	6	138.3	138.3	147.3	+1.10	-
UK General	6	120.2	120.2d	128.0	+0.38	3.97
Gilt & General	5	15.28	15.28xd	16.27	+0.06	9.52
European Inc	6	20.53	20.53xd	22.18	+0.44	0.52
European Acc	6	21.09	21.09	22.78	+0.45	-
Financial	6	90.54	90.54	96.43	+0.34	4.62
Foundation	6	58.74	60.34xd	64.26	+0.14	4.38
German	6	38.13	38.13	40.85	+0.68	0.10
Growth Inc (5-1)	5	25.49	25.49	27.20	-0.05	3.40
Growth Acc (5-1)	5	29.42	29.42	31.40	-0.06	-
High Income	6	59.89	59.19xd	63.92	+0.25	7.38
Income	6	97.63	99.87xd	106.5	+0.50	5.47
Intl Income	6	80.50	80.50	85.73	+1.53	5.66
Intl Growth ♣	6	27.99	27.99xd	29.81	+0.71	0.27
Monthly Income	6	54.20	56.18	59.83	+0.19	5.65
North American	6	84.55	84.55	90.05	+2.83	0.25
Orient ♣	6	86.35	86.35	91.89	-0.53	-
Recovery	6	25.31	25.44	27.09	+0.53	4.27
Smaller Cos Acc	6	185.6	185.6	197.7	-0.40	-
Smaller Cos Inc	6	110.3	110.3xd	117.5	-0.30	1.96

MGM Unit Managers Ltd (1000)F

MGM House, Heene Rd, Worthing

Dealing: 0277 261010 Enq: 0903 204631

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income	5	222.6	226.2xd	240.6	+0.6	5.88
(Accum Units)	5	379.3	385.4	410.0	+1.1	5.88
UK Growth	5	288.1	290.7xd	309.2	+0.3	3.42
(Accum Units)	5	358.8	361.9	385.0	+0.4	3.42
Int. Equity Gth ♣	5	52.05	52.20	55.53	+0.81	1.12
Intl Bond	5	63.42	63.42	66.61	+0.98	6.29
Special Sits Gwth	5	14.36	14.84xd	15.78	+0.02	3.64
North American Gwth	5	79.62	79.94xd	85.04	+2.36	0.96
European Growth ♣	6	53.91	54.18xd	57.63	+0.99	1.15

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation.
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin. 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
Intl Bond & Conv.	5	112 18	117 40	123 60	+0 80	6 21
Pooled Pension	3½	£134 8	139 2	144 0		–
Smaller Cos	5	50.66	52.47	55.23	+0.27	2 72
UK General	5	107 30	109 00	114 70	+0.20	2.66
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	341 04	341.04	361 50	-0.70	5.70
Global Inc	5	49 06	49.06	52.00	+0.10	4.67
Brit Leaders	5	291 97	291.97	309 49	+0.20	3.30
Intl Leaders	5	160.09	160 09	169.70	+3 65	1 93
P Am Man Bal Gwth Acc	3¼	46 82	47.50xd	49 35	-0.02	4 34
P Am Man Bal Gwth Inc	3¼	46.82	47.50xd	49.35	-0.02	4 34
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	45 15	45 32xd	48.21	+0 7	1 86
Far Eastern Tst	6	51 29	51.61	54.90	+0.56	0.90
Smaller Cos	5	106 8	111 4	118 5	+0 7	3.13
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS. 071-637 5377						
S & W American	5	236 7	237.1	250 8	-3 2	0 96
S & W Capital	5	103 7	103 7	111 2	+0 1	2 01
S & W Cash	0	100.74	100 74xd	100.74	+0 02	8 91
S & W European	5	100.9	101.1	106 9	-0 4	1.46
S & W Far Eastern	5	103 7	104 5xd	110 6	-0.3	0 18
S & W Growth	5	112.1	113.3xd	119 9	-0.3	1.82
S & W Income	5	95 13	96.47xd	102.0	+0.3	5.87
S & W Magnum	5	109 7	109 7	117 7		2.03
S & W Smllr Secs	5	238.3	243.6xd	257.7	.....	1.20
S & W Thoroughbred	5	126.56	126 5xd	135.7	-0 1	1.99
Societe Generale Touche Remnant (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						
4 Hourly Pricing—12 Noon Historic						
American Gwth	5¼	64 41	64 41xd	68.88	(z)	0
Eur Sp Sits Acc	5¼	39.17	39.17	41.67	(z)	0
Eur Sp Sits Inc	5¼	36.99	36.99xd	39 35	(z)	0
Far East Opps Inc	5¼	24.68	24.68	26.60	(z)	0
Far East Opps Acc	5¼	25 30	25 30	27 27	(z)	0
General Growth	5¼	86 01	86 01	92.38	(z)	3.22
General Growth Acc	5¼	87 45	87 45	93 92	(z)	3.21
Global Tech	5¼	92.64	92 64	100.10	(z)	0
Income Growth	5¼	84 74	84 74	91 10	(z)	5 02
Income Growth Acc	5¼	84.74	84.74	91 10	(z)	5 02
Income Monthly	5¼	46.23	46 23	49 44	(z)	6 93
Japan Growth	5¼	58 40	58.40	62.03	(z)	0
Overseas Growth	5¼	62.04	62.04	66 14	(z)	0
Smaller Cos	5¼	53 90	53 90xd	57 95	(z)	3 23
Special Opps	5¼	69 77	69 77	75.02	(z)	3.56
Wwide Sp Sit Acc	5¼	35 25	35 25	38 11	(z)	0
Wwide Sp Sit Inc	5¼	35 17	35.17	38.02	(z)	0
SGTR Pension Portfolio						
American Growth	6	38 57	39 19	41 54	(z)	–
Eur Sp Sits	6	31.48	31 82	33 73	(z)	–
General Growth	6	31 46	32.10	34 03	(z)	–
Global Tech	6	36 28	37 24	39 48	(z)	–
Income Growth	6	28 42	29.02	30 76	(z)	–
Japan Growth	6	18.28	18.45	19 55	(z)	–
Managed Equity	6				.....	–
Overseas Growth	6	26.87	27 22	28.85	(z)	–
Smaller Cos	6	13 89	14 18	15 03	(z)	–
Special Opps	6	16 04	16.38	17.37	(z)	–
Stlg Liquidity	6	34 14	34.14	35.56	(z)	–
Wwide Sp Sits	6	28.65	29 43	31.20	(z)	–
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	51.21	51 21	51 72	+0.02	8 50
Courtld Prfrmnce	5½	51.25	51 62	55 06	+0.32	8 4
Ethical	5½	44 05	45.11xd	47.98	+0.18	5.1
European Growth	5½	51.20	51 42	54.84	+0.63	3.6
Income	5½	46 09	46.60	49 70	+0.05	7 2
Intl Growth	5½	68.46	68.86	73.45	+0.93	3 1
Managed	5½	59.69	60.41	64 43	+0.46	4.2
UK Growth	5½	48.46	49 11	52.38	+0.82	5 6

For Standard Chartered Equitor see Capital House

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2¼	85.38	85 38	87 37	+2 08	0 00
Short Dtd Gilt	1¼	106.3	106 3	107 7	-0 1	1.93
U.S. Govmnt Bond	1¼	0 6996	0 6996	0 7088	+0.0030	0 00
Gilt Income	4	51 44	51 44xd	53.52	+0 33	9 30
Gilt Growth	4	62 88	62.88	65.46	+0 34	0 00
City Reserve	0	54 91	54 91	54 92	+0.01	10 8
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 388046						
Stockmarket Fd F	5	58 73	58 94	62 70	-0 17	2.78

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Expt Oct 21	606 9	627 41		1 11
James Capel Fund Managers Ltd				
Managed Exempt	116 639	123 377	-0 02	4.53
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Sep 30	517 80	519 90		5 69
Fxd Int Sec Sep 30	144 40	145 00	...	10 00
Deposit Fund. See Money Market Trust Funds				
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS 071-280 2800				
Charinco Inc	173 8	175 8	+0 80	9.33
Charinco Acc	994 8	1006.6	+5.00	9 33
Charishare Inc	170.5	174 6	+0 10	4 52
Charishare Acc	216.2	221 4	+0 20	4 52
CAFINVEST—Charities Aid Foundation				
48 Pembury Rd, Tonbridge TN9 2JD 0732 771333				
Balanced Growth	59 61	61 53	+2.34	4 06
Income	58 68	59 78	+1 44	7 36
COIF—Charities Official Inv Fd‡‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Income Sep 30	509 24	512 86	....	5.79
Accum Sep 30	1960.37	1984 78	..	–
Fixed Int Income Sep 30	117.35	117.58		9 87
Fixed Int Accum Sep 30	147.70	147 87	..	–
Deposit Account. see Money Market Trust Funds				
Charity Fixed Int Fd/Charity Equity Fd				
33 Gutter Lane EC2V 8AS 071-382 6900 (Gen Enquiries) 071-382 3919 (Dealing)				
Charity Equity Inc	103 50	106 00xd	-0 20	4.10
Charity Equity Acc	105 50	108 10xd	-0 20	4 10
Charity Fixed Int Inc	102 10	103.30xd	+0.40	8.50
Charity Fixed Int Acc	102 10	103 30xd	+0 40	8 50
Edinburgh Fund Mngrs PLC				
Exempt Funds				
Managed Oct 21	139 8	145 7xd	+3 1	3 60
Japan Oct 22	84 25	86.56	+2.97	0.58
Sm Jap Cos Oct 23	404 4	415 5	+12 9	0 12
Latin American Oct 27	94.96	99.71	+4.57	0.50
Fidelity Investment Services Ltd				
Exempt American Portfolio	119 6	123 3	+2 90	0 00
Mngd Pens P'folio	144 1	148 4	+0.60	1 86
Fledgeling Charity Portfolio				
25 Copthall Avenue EC2R 7DR 071-638 5858				
UK Equity	£1.0182	1.0535	+0.0106	4.84
Bond	£1.0206	1.0446	+0.0082	9 79
Robert Fleming Asset Mngmt Ltd				
Am Exempt	£539 48	547 41	-1.73	1 72
Gen Exempt	£133.13	136 05	+1.21	4.07

INSURANCES

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4UB 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Grth Mngd	600.6	639.0	+4.2	-
Adventurous Mngd	143.5	152.7	+2.5	-
Cautious Mngd	125.9	133.4	+0.5	-
Cash Fd	312.3	329.1	...	-
Property Fund	216.8	230.7	...	-
Equity Fund	683.7	727.4	+11.7	-
Fxd Int. Fund	380.7	401.2	+0.5	-
International	309.4	329.2	+6.2	-
High Income	523.5	557.0	-0.8	-
Far East	417.6	444.3	+7.7	-
North American	382.4	406.9	+10.6	-
Special Sits	481.7	512.5	+2.7	-
Technology	373.7	397.6	+7.5	-
Extra Inc Fd	283.8	302.0	-1.7	-
Convertible & Gilt Fd	136.6	145.4	+0.7	-
American Income	161.5	171.9	+4.3	-
Gilt Fund 20	435.2	463.0	+0.5	-
European Fund	112.2	119.4	+2.2	-
Pref & Fixed Int	100.9	107.4	+0.2	-
UK Blue Chip	109.0	114.9	-0.4	-
Recovery Fund	98.8	104.2	...	-
Equity Income Dist	95.7	101.9	+0.6	5.24
Managed Dist	91.3	97.2	+0.8	5.53
High Yield Dist	96.7	102.0	+0.2	7.86
Pension Funds				
Balncd Grh Mngd Pens Acc	689.5	725.8	+5.0	-
Adventurous Mngd Pens Acc	148.8	156.7	+3.0	-
Cautious Mngd Pens Acc	132.2	139.2	+0.7	-
Building Soc. Acc	358.7	377.6	...	-
Property Pens. Acc	294.3	309.8	...	-
Fix. Int. Pens. Acc	592.4	621.6	+1.9	-
Equity Pens. Acc	865.4	911.0	+15.0	-
International Pens Acc	283.4	298.4	+6.8	-
High Inc Pens Acc	583.4	614.2	-1.0	-
Tech Pens Acc	260.1	273.8	+6.4	-
N American Pens Acc	285.1	300.2	+9.2	-
Far Eastern Pens Acc	411.4	433.1	+8.7	-
Special Sits Pens Acc	394.5	415.3	+2.4	-
Extra Income Pens Fd	345.8	364.0	-1.6	-
Convertible & Gilt Pen	167.0	175.8	+6.5	-
American Inc Pens	182.1	191.7	+1.0	-
European Pens	124.6	131.2	+2.5	-
Managed Cash Pens	168.9	177.8		-
Pref & Fixed Pens	118.2	124.5	+0.1	-
UK Blue Chip	114.3	120.4	-0.5	-
Recovery Fund	103.7	109.2	+0.1	-
Unitised With Profits Pens	105.7	111.3	+0.1	-
Other Funds				
Margetts Growth	112.1	118.0	+0.6	-
Margetts Income	113.7	119.7	-0.8	-
Margetts Pension	121.6	128.0	+0.7	-
DWC Growth & Income	116.0	122.2		-
NCH Managed	113.8	119.8	+0.9	-
B&B Select Mngd	98.5	103.7	+0.5	-
JHJ Managed Pension	116.4	122.6	+0.3	-
IAS Managed	114.5	120.6		-
Ibbotson Retirement Pfolio	99.5	104.8	+0.1	-
FIC Property	148.8	156.7	+0.3	-
Cp Retirement P folio	121.6	128.0	-0.7	-
Pembroke Intl	94.0	99.0	+0.4	-
Marsh Retirement Portfolio	90.9	95.7	+0.1	-
IAS Pension Managed	138.0	145.3	+0.1	-
Capital Income & Growth	105.6	111.2	...	-
Map Balanced Asset	104.4	109.9	+0.1	-
Countywide Managed Pens	96.7	101.8	+0.3	-

Prosperity Life Assurance Ltd

1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	+ or -	Yield Gross
Initial Equity	149.5	158.0	-0.5	-
Accum Equity	225.0	237.5		-
Accum Managed	237.0	249.5	+1.0	-
Accum Five Star	163.5	173.0	+1.0	-
Accum World	128.5	136.0	...	-
Accum Emerg Mkts	191.5	202.0	+4.5	-
Pens Acc Equity	248.5	262.0	-0.5	-
Pens Acc Managed	303.0	319.5	+1.5	-
Pens Acc Emerg Mkts	217.0	229.0	+6.5	-
Pens Acc Deposit	227.5	240.0	...	-
Pens Acc Five Star	178.5	188.5	+1.0	-

Providence Capital Life Assc. Co Ltd

2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	223.6	235.9	+5.7	-
UK Fixed Int Acc	209.2	220.7	+0.9	-
Intl Equities Acc	187.7	198.1	+7.9	-
UK Managed Acc	173.5	183.0	+2.5	-
Property Acc	225.6	238.0	-0.1	-
Money Acc	142.4	150.3	+0.1	-
Special Market Acc	167.4	176.6	+4.8	-
Japan Equity Acc	85.8	90.6	+1.3	-
North American Acc	122.9	129.7	+3.8	-
Pacific Acc	114.0	120.3	+5.0	-
European Acc	106.8	112.7	+2.7	-
Hong Kong Acc	108.9	114.9	-0.4	-
Int Fixed Interest Acc	70.3	74.0	+0.9	-
Int Managed Acc	61.8	65.1	+1.5	-
HIP Managed Acc	124.5	131.2	+2.1	-
HIP Managed II Acc	109.3	115.2	+0.9	-
HIP Managed III Acc	116.1	122.4	+0.9	-
Balanced Growth Acc	106.0	111.8	+1.8	-
Building Society	100.0		...	7.23

Reliance Mutual

Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or -	Yield Gross
Deposit Acc Fd	165.9	174.6	+0.1	-
Equity Acc Fd	372.7	392.3	+1.1	-
Managed Acc Fd	327.1	344.4	...	-
Prop Fd (1st Issue)	-	570.1	...	-
Prop Acc Fd (2nd Iss)	119.7	126.0	...	-
Unit Trust Mic Fd	142.7	150.2	...	-
RL Pension Funds				
Deposit Acc	239.9	252.5	+0.2	-
Equity Acc	271.4	285.7	+1	-
Fixed Int Acc	241.8	254.5	..	-
Gilt Inds Lnk Acc	182.8	192.4	...	-
Managed Acc	354.0	372.7	...	-

J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester
Telephone 0285 640302 Helpline 041 307 6500

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
JRA/M&G Managed	105.0	110.6	+0.30	-
JRA/Scottish Amicable Mngd	100.7	106.0	+0.60	-
JRA/St James's Place Mngd	106.6	112.3	+0.80	-
Deposit	98.80	104.0	+0.10	-
Far East	109.6	115.4	+0.20	-
Gilts	103.0	108.5	+1.00	-
Greater European	106.4	112.1	+1.20	-
North American	112.1	118.1	+1.10	-
UK Equity	104.0	109.5	+0.60	-
Pension Funds				
JRA/M&G Managed cap	102.3	107.7	+0.30	-
JRA/M&G Managed acc	105.0	110.6	+0.30	-
JRA/Scottish Amicable Mngd cap	97.10	102.3	+0.60	-
JRA/Scottish Amicable Mngd acc	99.70	105.0	+0.60	-
JRA/St James's Pl Mngd cap	108.6	114.4	+1.60	-
JRA/St James's Pl Mngd acc	111.5	117.4	+1.60	-
Deposit cap	98.90	104.2	+0.10	-
Deposit acc	101.6	107.0	+0.10	-
Far East cap	106.0	111.6	+0.10	-
Far East acc	108.8	114.6	+0.10	-
Gilts cap	101.5	106.9	+1.10	-
Gilts acc	104.3	109.8	+1.20	-
Greater European cap	106.3	111.9	+1.20	-
Greater European acc	109.1	114.9	+1.30	-
North American cap	112.9	118.9	+1.20	-
North American acc	115.9	122.1	+1.30	-
UK Equity cap	100.3	105.6	+0.50	-
UK Equity acc	102.9	108.4	+0.50	-

Royal Heritage Life Assurance Ltd

Peterborough Business Pk, PE2 6GG 0733 390000

	Bid Price	Offer Price	+ or -	Yield Gross
Multi Grth	357.9		...	-
Multi Grth A Cap	367.1	386.4	..	-
Multi Grth A Accum	557.9	587.3	..	-
Op Prop	403.3	424.6	..	-
Op Equity	771.0	811.6	+7.0	-
Op High Yld	492.3	518.3	+3.0	-
Op Man	612.4	644.7	+7.6	-
Op Dep	365.4	384.7	+0.5	9.00
Op Inc Dist	192.6	202.8	+0.2	7.97
Op Itn Man	333.2	350.8	+7.3	-
Op Emerging Co's	302.6	318.6	+3.1	-
Op Money	101.7	107.1	+0.1	-
European	95.0	100.0	...	-
Pension Funds				
Property Ser B	767.5	807.9	-0.1	-
Equity Ser B	2362.5	2486.9	+12.2	-
Fixed Interest Ser B	927.9	976.8	+5.8	-
Managed Ser B	1202.7	1266.0	+10.8	-
Deposit Ser B	768.0	808.5	+0.8	-
Money Ser B	101.0	106.4	...	-
Property Ser D	200.0		...	-
Equity Ser D	162.1		+0.7	-
Fixed Interest Ser D	233.7		+1.5	-
Managed Ser D	156.2		+1.4	-
Deposit Ser D	231.3		+0.3	-
Money Ser D	107.9		+0.1	-
Pension Unit Trust Funds				
Gartmore Global Ser B	185.7	195.5	-0.3	-
Gartmore NA Ser B	119.7	126.0	-0.5	-
Gartmore Pacific Ser B	349.7	368.2	-2.0	-
Henderson Acc Ser B	192.8	203.0	+0.1	-
Perpetual Man Ser B	208.8	219.8	-0.6	-
Framlington Mn Ser B	184.0	193.7	-1.2	-
Gartmore Mngd Ser B	219.4	231.0	+0.9	-
Gartmore Euro Ser B	149.6	157.5		-
Gartmore Global Ser D	119.6		-0.2	-
Gartmore NA Ser D	139.0		-0.7	-
Gartmore Pacific Ser D	188.2		-1.1	-
Henderson Acc Ser D	146.1		+0.1	-
Perpetual Man Ser D	156.3		-0.5	-
Framlington Mn Ser D	150.6		-1.1	-
Gartmore Mngd Ser D	184.8		+0.7	-
Gartmore Euro Ser D	117.3			-
Baring Funds				
Eastern	279.2	293.9	+3.1	-
European Smllr Cos	151.4	159.4	+2.2	-
Managed	164.3	173.0	+2.7	-
Gartmore Funds				
British	304.4	320.5	-1.1	-

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

OFFSHORE INSURANCES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or -	Yield Gross
Gartmore Fund Managers (IoM)				
Intl Inc *	16 2	17 2	+0 1	12.0
* Projected Yield				
John Govett Management (IoM) Ltd				
Gs Geared Gw Oct 23		$16.51	...	-
Paragon Plus Rrs Oct 1		£9.17	...	-
Paragon Stlg Red Oct 1		£10.60	...	-
SE Asian Wt NAV Oct 22		$10.16	...	-
Govts Mgd Futs Oct 23	£13 88	15 18	...	-
Govts Mngd Futs Oct 23	$09.94	10.88	...	-
Hex Horizons Inv Oct 22		$13 97	...	-
Hex Horizons Inv Oct 22		$6.23	...	-
Dlr Geared Bd Oct 23		$7 88	...	-
IBI Global Funds Limited				
Intl Stlg Grth	£19.13	20.14	...	-
Intl $US Grth	$17.58	18 51		-
High Income Gth	£25 39	26.32		-
International Equity	£19 12	20 14	...	-
International Bond	£22 04	22.85		-
Managed Currency	£26.92	27.20		-
Sterling Currency	£26.24	26.51	...	-
US$ Currency	$37 66	38.05		-
Irish £ Currency	I£14.94	15.10	...	-
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£8.48	9 13		-
B F Offshore Inc Fd Ltd	£11 55	11 66	-	-
Indian Mines W/W 5/5	£8.77	9.14		-
LFM Sterling Fd	£10 92	11 38		-

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey 0534 36633						
AIB Currency Funds Ltd						
Intl Managed Bond	5		£- 28 8009	28 8136	...	-
Managed Capital Bd	5		£- 28.8512	28 8739	...	-
AIB Gineland Currency Fund Limited						
Stlg Mngd Currency	5		£-	10 7782	...	-

	Bid Price	Offer Price	+ or -	Yield Gross
INVESCO MIM International Limited				
All Funds deal daily except where indicated.				
Sterling Denominated Income Funds				
American Equity Inc	£1 663	1 785	+0.042	2.54
Japan Inc & Grwth	£1.385	1 486	+0 024	1.80
Sterling Denominated Growth Funds				
Capital Deposit	£37 61	37.62	...	-
European Perform.	£0 4197	0 4513	+0 0027	-
Far East	£2 396	2 576	+0.020	-
Pioneer Markets	£3 418	3 675	+0 058	-
UK Growth	£1 150	1 237	-0 003	2.20
£ Mng Portfolio	£1 517	1 640	+0 014	-
US Dollar Denominated Growth Funds				
Gold & Prec Mtls	$0 638	0 686	-0 013	-
Japan Performance	$2 014	2.166	-0 031	-
Gtd NW 1994 **	$9.10	-		-
MIM London Agents				
Apollo Fd Oct 21*	SFr78 00	83 72	...	-
*Weekly Dealing †Fortnightly Dlng **Monthly Dlng				
Lloyds Bank Trust Co (CI) Mngrs				
Lloydsrust World Inv Port	£2 400	2.520		1 18
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9 86	9 90	+0.02	9 49
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Oct 22	$13.71	14 00	...	2 86
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income(z)	52.8	55.0		8.16
UK Equity Fd (z)	208 6	222.0	+0 01	2 88
*Intl Bond Fd	97 9	101 0		7 19
**Natural Resources Fd	110.2	117 0		0 43
*Sterling Mngd Asset Fd	526.4	555 0	...	5 00
*Sub. day every Thurs. **Sub. day monthly 5th and 20th				
NatWest TrustCor Currency Fund (z)				
Dollar Class		$38 0157	+0 0375	-
Sterling Class		£26.6741	+0.0053	-
D-Mark Class		DM82 6414	+0.0183	-
Dutch Guilder Class		Dfl82 1992	+0 0164	-
Japanese Yen Class		Y7929 7777	+8.6716	-
Addinvior Replica Portfolio Ltd				
Addinvior Replica P'folio Ltd L	10 72	11.13		-
Addinvior Replica P'folio Ltd $	$10.20	10.58	..	-
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Oct 22	$34 14	36.31	...	-
Perpetual UT Mngrs (Jersey) Ltd				

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

JERSEY (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

FOREIGN EXCHANGES

Bundesbank comments ignored

BUNDESBANK officials yesterday issued strong hints that another cut in official German rates would not be announced at their council meeting on Thursday, but that did not stop the D-Mark weakening against most currencies, *writes James Blitz.*

As usual, the market is in two minds about whether to expect another cut in official German rates this week. On the one hand, the German central bank has carefully eased money market rates down to a level 75 basis points below the Lombard rate ceiling. On the other hand, recent comments from Bundesbank officials on monetary policy have leaned on the hawkish side.

Yesterday, Mr Otmar Issing, the Bundesbank's chief economist, added to the hawkishness by saying that lower German rates were more likely to occur through money market operations than through cuts in key lending rates. Mr Helmut Schlesinger, the Bundesbank President, added that the Bundesbank saw no reason to sound the all-clear on monetary policy, and that price stability remained the central bank's primary goal.

Yet, these comments were ignored in a market which is confident that German rates will be cut soon, perhaps even this week. The dollar strengthened against the D-Mark in European trading, peaking at DM1.5435, and closing up nearly a pfennig at DM1.5385.

The Spanish peseta also strengthened considerably, closing at Pta70.69 from a previous Pta71.58. Like other exchange rate mechanism currencies, the Spanish currency rallied as expectations of a realignment of the ERM failed to be met at the weekend.

The Italian lira rallied particularly strongly. There is growing confidence in the Italian currency, and in the prospect that it will re-enter the ERM sooner rather than later. Yesterday, the lira closed at L863.3 to the D-Mark from a previous L876.1.

The damage that Britain's political turmoil is doing to sterling is all too clear from the fact that, even in this environment, the pound managed to lose nearly 3 pfennigs against the D-Mark to close at DM2.4425. The pound also lost more than 2½ cents against the dollar, closing at $1.5870, a seventeen month low against the US currency.

Sterling was specifically undermined Mr John Major's threat to call a general election if Conservative backbenchers fail to ratify the Maastricht bill in parliament.

If the situation worsens, the pound could threaten the historic low of DM2.3690 reached in the aftermath of "Black Wednesday." There could be more volatility in the sterling/dollar exchange rate, because of the dollar's upward direction.

Mr Neil Mackinnon, chief economist at Citibank, said yesterday that sterling could drop to $1.20 next year.

£ IN NEW YORK

Oct.26	Latest	Previous Close
£ Spot	1.5855-1.5865	1.6220 1.6230
1 month	0.82-0.80pm	0.82 0.79pm
3 months	1.67-1.64pm	1.73 1.68pm
12 months	4.05-3.95pm	4.50 4.40pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.26	Previous
8.30 am	80.1	80.7
9.00 am	79.9	80.5
10.00 am	79.2	80.5
11.00 am	79.2	80.5
Noon	79.3	80.4
1.00 pm	79.4	80.3
2.00 pm	79.3	80.5
3.00 pm	79.4	80.6
4.00 pm	79.3	80.5

CURRENCY MOVEMENTS

Oct 26	Bank of England Index	Morgan** Guaranty Changes %
Sterling	79.3	-29.7
U.S. Dollar	63.4	-14.9
Canadian Dollar	95.3	-6.2
Austrian Schilling	113.9	+15.3
Belgian Franc	115.5	+1.3
Danish Krone	115.0	+8.1
D-Mark	124.6	+30.6
Swiss Franc	113.4	+21.5
Dutch Guilder	119.3	+20.3
French Franc	109.2	-7.7
Lira	88.3	-29.4
Yen	149.9	+86.2
Peseta	99.5	-24.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Oct.23

CURRENCY RATES

Oct 26	Bank ‡ rate %	Special ° Drawing Rights	European † Currency Unit
Sterling	-	0.874413	0.805806
U.S. Dollar	3.00	1.42372	1.27559
Canadian $	7.37	1.77509	1.59921
Austrian Sch	8.25	15.1541	13.8147
Belgian Franc	7.75	44.1958	40.4713
Danish Krone	9.50	8.26114	7.55533
D-Mark	8.25	2.16007	1.96569
Dutch Guilder	7.75	2.45990	2.21124
French Franc	10¼	7.41473	6.66497
Italian Lira	15.00	N/A	1707.44
Japanese Yen	3.25	171.914	156.260
Norway Krone	-	8.75445	8.00625
Spanish Peseta	-	156.420	139.673
Swedish Krona	50.0	8.090456	7.40098
Swiss Franc	6.00	1.93234	1.75330
Greek Drach	19	N/A	254.621
Irish Punt	-	N/A	0.745742

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. ° All SDR rates are for Oct.23

OTHER CURRENCIES

Oct 26	£	$
Argentina	1.5705 - 1.5735	0.9900 - 0.9910
Australia	2.2200 - 2.2220	1.3990 - 1.4000
Brazil	12045.5 - 12045.7	7592.50 - 7592.70
Finland	7.6895 - 7.7365	4.8400 - 4.8500
Greece	312.400 - 318.650	197.700 - 201.650
Hong Kong	12.2505 - 12.2670	7.7280 - 7.7290
Iran	2316.00*	1435.00*
Korea(Sth)	1254.75 - 1274.95	779.60 - 785.80
Kuwait	0.47000 - 0.47100	0.29670 - 0.29700
Luxembourg	50.15 - 50.25	31.60 - 31.70
Malaysia	3.9690 - 3.9810	2.5050 - 2.5100
Mexico	4916.60 - 4927.65	3125.00 - 3127.00
N.Zealand	2.9335 - 2.9375	1.8495 - 1.8520
Saudi Ar	5.9995 - 6.1135	3.7495 - 3.7505
Singapore	2.5670 - 2.5775	1.6205 - 1.6255
S.Af (Cm)	4.6710 - 4.6835	2.9350 - 2.9400
S.Af (Fn)	6.7635 - 6.8070	4.2645 - 4.2920
Taiwan	40.15 - 40.30	25.30 - 25.40
U.A.E.	5.8460 - 5.9880	3.6715 - 3.6735

*Floating rate. Iran Official rate £104.15 $64.60

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 26	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Belgian Franc	41.9547	40.4713	-3.54	4.04	48
Dutch Guilder	2.29193	2.21124	-3.52	4.02	48
D-Mark	2.03412	1.96569	-3.36	3.85	52
Danish Krone	7.75901	7.55533	-2.63	3.06	3
French Franc	6.82216	6.66497	-2.30	2.72	-14
Irish Punt	0.759300	0.745742	-1.79	2.18	-34
Portuguese Escudo	176.844	175.458	-0.78	1.15	-6
Spanish Peseta	139.176	139.673	0.36	0.00	-27

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Oct 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5750 - 1.6125	1.5865 - 1.5875	0.82-0.80cpm	6.12	1.67-1.64pm	4.17
Canada	1.9765 - 1.9935	1.9850 - 1.9860	0.24-0.05cpm	0.88	0.36-parpm	0.36
Netherlands	2.7400 - 2.7570	2.7400 - 2.7500	⅛-parcpm	0.27	½-¾dis	-0.91
Belgium	50.00 - 50.55	50.15 - 50.25	6-2cpm	0.96	2-14dis	-0.64
Denmark	9.3510 - 9.4160	9.3575 - 9.3675	3-4oredis	-4.49	9¼-10½dis	-4.19
Ireland	0.9305 - 0.9360	0.9350 - 0.9360	0.63-0.48cpm	7.12	1.78-1.58pm	7.18
Germany	2.4375 - 2.4555	2.4400 - 2.4450	par-⅛pfdis	-0.31	½-¾dis	-1.02
Portugal	215.80 - 218.60	217.20 - 218.20	215-335cdis	-15.16	500-730dis	-11.30
Spain	172.10 - 174.05	172.50 - 172.80	63-101cdis	-5.70	255-315dis	-6.60
Italy	2099.00 - 2126.00	2108.00 - 2109.00	9-11liredis	-5.69	31-34dis	-6.17
Norway	9.9170 - 9.9820	9.9625 - 9.9725	3½-2¼oredis	-3.39	7-8¼dis	-3.06
France	8.2560 - 8.3020	8.2700 - 8.2800	⅝-⅞cdis	-1.09	4⅝-4⅞dis	-2.27
Sweden	9.1675 - 9.2210	9.1675 - 9.1775	2½-3¼oredis	-3.84	9¾-10⅞dis	-4.50
Japan	193.00 - 195.20	193.00 - 194.00	1-⅞ypm	5.43	2-1⅞pm	4.01
Austria	17.07 - 17.27	17.10 - 17.13	N/A	N/A	N/A	N/A
Switzerland	2.1650 - 2.1905	2.1650 - 2.1750	⅝-½cpm	3.11	⅞-¼pm	1.50
Ecu	1.2410 - 1.2460	1.2420 - 1.2430	0.10-0.17cdis	-1.30	0.61-0.72dis	-2.14

Commercial rates taken towards the end of London trading. Six-month forward dollar 2.68-2.63pm. 12 Month 4.10-4.00pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5750 - 1.6125	1.5865 - 1.5875	0.82-0.80cpm	6.12	1.67-1.64pm	4.17
Ireland†	1.7255 - 1.7305	1.7295 - 1.7305	1.80-1.60cpm	11.79	4.65-4.35pm	10.40
Canada	1.2475 - 1.2545	1.2500 - 1.2510	0.50-0.60cdis	-5.28	1.10-1.30dis	-3.84
Netherlands	1.7130 - 1.7375	1.7295 - 1.7305	0.84-0.87cdis	-5.93	2.13-2.18dis	-4.98
Belgium	31.40 - 31.80	31.60 - 31.70	14.00-16.00cdis	-5.69	37.00-40.00dis	-4.87
Denmark	5.8550 - 5.9350	5.8975 - 5.9025	4.50-6.00oredis	-10.68	11.00-13.00dis	-8.14
Germany	1.5225 - 1.5445	1.5380 - 1.5390	0.78-0.79pfdis	-6.12	1.99-2.02dis	-5.21
Portugal	136.95 - 137.65	136.95 - 137.05	210-250cdis	-20.15	455-555dis	-14.74
Spain	107.80 - 109.75	109.00 - 109.10	95-115cdis	-11.55	265-305dis	-10.45
Italy	1321.00 - 1341.75	1328.25 - 1328.75	12.50-14.50liredis	-12.19	32.50-36.50dis	-10.39
Norway	6.2050 - 6.2885	6.2775 - 6.2825	3.75-4.75oredis	-8.12	10.50-12.50dis	-7.32
France	5.1675 - 5.2375	5.2125 - 5.2175	3.14-3.25cdis	-7.35	8.10-8.25dis	-6.27
Sweden	5.7360 - 5.8130	5.7775 - 5.7825	4.25-5.25oredis	-9.86	11.50-13.50dis	-8.65
Japan	121.45 - 122.65	121.95 - 122.05	0.06-0.07ydis	-0.64	0.04-0.05dis	-0.15
Austria	N/A	10.7130 - 10.7180	4.90-5.30grodis	-5.71	12.65-13.75dis	-4.93
Switzerland	1.3590 - 1.3780	1.3670 - 1.3680	0.33-0.36cdis	-3.03	0.90-0.94dis	-2.69
Ecu	1.2700 - 1.2865	1.2770 - 1.2780	0.83-0.77cpm	7.51	2.06-1.98pm	6.32

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Oct. 26	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	11½ - 10½	9¾ - 9½	9 - 8¾	7⅞ - 7⅝	7¼ - 7⅛	7 - 6¾
US Dollar	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛	3⅝ - 3½	3⅜ - 3⅜	4 - 3⅞
Can. Dollar	8¼ - 8	8 - 7⅞	7⅞ - 7⅝	7⅛ - 6⅞	6⅞ - 6⅝	6¾ - 6½
Dutch Guilder	8⅞ - 8¾	8⅞ - 8⅞	8¾ - 8⅝	8⅜ - 8¼	8¼ - 8⅛	7⅞ - 7⅝
Swiss Franc	6¼ - 5⅞	6 - 5¾	6⅛ - 5⅞	6⅛ - 6	6⅛ - 5⅞	5⅞ - 5¾
D-Mark	9 - 8⅞	9 - 8⅞	8⅞ - 8¾	8¾ - 8⅝	8⅜ - 8⅛	7⅞ - 7⅞
French Franc	10 - 9⅞	10 - 9⅞	9⅞ - 9¾	9¾ - 9⅝	9⅝ - 9½	9 - 8⅞
Italian Lira	15 - 13	15 - 14½	15 - 14½	14¼ - 13⅞	14 - 13½	13⅞ - 13¼
Belgian Franc	8⅞ - 8⅞	8⅞ - 8⅞	8⅞ - 8⅝	8⅜ - 8¼	8⅛ - 8	7⅞ - 7⅞
Yen	4⅛ - 4	4⅛ - 4	4 - 3⅞	3⅞ - 3¾	3⅝ - 3⅝	3⅞ - 3⅝
Danish Krone	12 - 11	13 - 12	13 - 12½	12⅞ - 12½	12¼ - 11¾	11½ - 11
Asian $Sing.	1⅞ - 1¼	1⅞ - 1⅝	1⅞ - 1⅞	2 - 1⅞	2⅛ - 2⅛	2⅝ - 2½
Spanish Peseta	15½ - 15¼	14¾ - 14⅛	14¼ - 13⅞	13⅞ - 13¾	13¾ - 13⅛	13½ - 13¼

Long term Eurodollars: two years 4⅛-4⅝ per cent; three years 5⅛-5⅛ per cent; four years 5⅞-5⅞ per cent; five years 6⅛-6⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.26	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.587	2.443	193.5	8.275	2.170	2.745	2109.	1.986	50.20	172.7	1.243
$	0.630	1	1.539	121.9	5.214	1.367	1.730	1329	1.251	31.63	108.8	0.783
DM	0.409	0.650	1	79.21	3.387	0.888	1.124	863.3	0.813	20.55	70.69	0.509
YEN	5.168	8.202	12.63	1000.	42.76	11.21	14.19	10899	10.26	259.4	892.5	6.424
F Fr.	1.208	1.918	2.952	233.8	10.	2.622	3.317	2549	2.400	60.66	208.7	1.502
S Fr.	0.461	0.731	1.126	89.17	3.813	1	1.265	971.9	0.915	23.13	79.59	0.573
N Fl.	0.364	0.578	0.890	70.49	3.015	0.791	1	768.3	0.723	18.29	62.91	0.453
Lira	0.474	0.752	1.158	91.75	3.924	1.029	1.302	1000.	0.942	23.80	81.89	0.589
C$	0.504	0.799	1.230	97.43	4.167	1.093	1.382	1062	1	25.28	86.96	0.626
B Fr.	1.992	3.161	4.867	385.5	16.48	4.323	5.468	4201	3.956	100.	344.0	2.476
Pta	0.579	0.919	1.415	112.0	4.792	1.257	1.589	1221	1.150	29.07	100.	0.720
Ecu	0.805	1.277	1.965	155.7	6.657	1.746	2.208	1697	1.598	40.39	138.9	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
97	3-35	3-62	0-19	1-24
98	2-45	3-19	0-29	1-45
99	1-63	2-45	0-47	2-07
100	1-23	2-12	1-07	2-38
101	0-58	1-50	1-42	3-12
102	0-37	1-25	2-21	3-51
103	0-22	1-05	3-06	4-31
104	0-13	0-53	3-61	5-15

Estimated volume total, Calls 4593 Puts 7425
Previous day's open int. Calls 52958 Puts 53110

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
99	3-21	3-16	0-13	1-26
100	2-33	2-42	0-25	1-52
101	1-51	2-09	0-43	2-19
102	1-13	1-45	1-05	2-55
103	0-48	1-21	1-40	3-31
104	0-28	1-01	2-20	4-11
105	0-16	0-49	3-08	4-59
106	0-09	0-37	4-01	5-47

Estimated volume total, Calls 100 Puts 600
Previous day's open int. Calls 1120 Puts 1060

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
8950	2.02	2.44	0.03	0.18
9000	1.55	2.03	0.06	0.27
9050	1.11	1.66	0.12	0.40
9100	0.73	1.32	0.24	0.56
9150	0.43	1.03	0.44	0.77
9200	0.24	0.78	0.75	1.02
9250	0.12	0.58	1.13	1.32
9300	0.06	0.43	1.57	1.67

Estimated volume total, Calls 5559 Puts 2542
Previous day's open int. Calls 165728 Puts 125840

LIFFE EUROMARK OPTIONS
DM1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
9100	0.86	1.73	0.03	0.03
9125	0.63	1.50	0.05	0.05
9150	0.43	1.27	0.10	0.07
9175	0.27	1.05	0.19	0.10
9200	0.17	0.85	0.34	0.15
9225	0.10	0.67	0.52	0.22
9250	0.06	0.53	0.73	0.33
9275	0.03	0.41	0.95	0.46

Estimated volume total, Calls 2231 Puts 2950
Previous day's open int. Calls 147019 Puts 91547

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS Lira 200m 100ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
9000	2.26	3.60	0.64	1.58
9050	1.91	3.30	0.79	1.78
9100	1.58	3.01	0.96	1.99
9150	1.27	2.74	1.15	2.22
9200	1.02	2.49	1.40	2.47
9250	0.81	2.26	1.69	2.74
9300	0.62	2.04	2.00	3.02
9350	0.46	1.83	2.34	3.31

Estimated volume total, Calls 879 Puts 630
Previous day's open int. Calls 19592 Puts 10399

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
9275	0.84	1.36	0.08	0.15
9300	0.64	1.15	0.13	0.19
9325	0.46	0.95	0.20	0.24
9350	0.32	0.78	0.31	0.32
9375	0.22	0.62	0.46	0.41
9400	0.14	0.49	0.63	0.53
9425	0.09	0.38	0.83	0.67
9450	0.06	0.27	1.05	0.81

Estimated volume total, Calls 6493 Puts 6707
Previous day's open int. Calls 142867 Puts 126115

LIFFE EURO SWISS FRANC OPTIONS
SFR 1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
9375	0.38	0.79	0.15	0.15
9400	0.23	0.61	0.25	0.22
9425	0.14	0.45	0.41	0.31

Estimated volume total, Calls 420 Puts 0
Previous day's open int. Calls 940 Puts 855

LONDON (LIFFE)

9% NOTIONAL BRITISH GILT *
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec	100-08	100-23	99-29	100-12
Mar	99-19	99-20	99-14	99-23

Estimated volume 29180 (37672)
Previous day's open int. 58251 (58729)

US TREASURY BONDS 8% *
$100,000 32nds of 100%

	Close	High	Low	Prev.
Dec	102-04	102-17	102-00	102-21
Mar	100-27			101-14

Estimated volume 267 (245)
Previous day's open int. 1666 (1682)

6% NOTIONAL GERMAN GOVT. BOND *
DM250,000 100ths of 100%

	Close	High	Low	Prev.
Dec	91.49	91.93	91.40	91.73
Mar	91.76	92.13	91.90	91.99

Estimated volume 47232 (64179)
Previous day's open int. 164425 (165398)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low
Dec	107.01	107.02	106.92
Mar	106.44		

Estimated volume 570 (832)
Traded exclusively on APT

12% NOTIONAL ITALIAN GOVT. BOND (BTP) *
LIRA 200m 100ths of 100%

	Close	High	Low	Prev.
Dec	91.62	92.51	91.46	92.27
Mar	92.02	92.83	92.67	92.62

Estimated volume 10060 (12761)
Previous day's open int. 21829 (22087)

THREE MONTH STERLING *
£500,000 points of 100%

	Close	High	Low	Prev.
Dec	93.51	93.53	93.44	93.39
Mar	93.96	93.98	93.87	93.81
Jun	93.89	93.90	93.81	93.77
Sep	93.64	93.65	93.58	93.54
Dec	93.38	93.39	93.34	93.28
Mar	93.10	93.11	93.04	93.02

Est. Vol. (inc. figs. not shown) 34271 (39375)
Previous day's open int. 229911 (227574)

THREE MONTH EURODOLLAR *
$1m points of 100%

	Close	High	Low	Prev.
Dec	96.31	96.33	96.30	96.41
Mar	96.25	96.25	96.22	96.34
Jun	95.76	95.74	95.73	95.88
Sep	95.26			95.37

Est. Vol. (inc. figs. not shown) 1927 (1133)
Previous day's open int. 24743 (24595)

THREE MONTH EUROMARK *
DM 1m points of 100%

	Close	High	Low	Prev.
Dec	91.83	91.93	91.80	91.89
Mar	92.70	92.86	92.66	92.78
Jun	93.20	93.36	93.15	93.27
Sep	93.41	93.58	93.37	93.48
Dec	93.51	93.68	93.51	93.63
Mar	93.68	93.80	93.65	93.75

Estimated volume 42492 (53479)
Previous day's open int. 379141 (375730)

THREE MONTH ECU
ECU 1m points of 100%

	Close	High	Low	Prev.
Dec	90.65	90.80	90.64	90.66
Mar	91.62	91.80	91.62	91.64
Jun	91.93	92.08	91.92	91.95
Sep	92.10	92.23	92.20	92.13

Estimated volume 1870 (1073)
Previous day's open int. 10510 (10420)

THREE MONTH EURO SWISS FRANC
SFR 1m points of 100%

	Close	High	Low	Prev.
Dec	93.98	94.14	93.96	94.02
Mar	94.39	94.50	94.39	94.41
Jun	94.61	94.65	94.59	94.60
Sep	94.72	94.76	94.71	94.70

Estimated volume 4551 (10822)
Previous day's open int. 38264 (38006)

THREE MONTH EUROLIRA INT. RATE
LIRA 1,000m points of 100%

	Close	High	Low	Prev.
Dec	86.82	87.15	86.65	86.97
Mar	87.77	88.10	87.60	87.77
Jun	87.85	88.10	87.80	87.95
Sep	87.85	88.15	87.80	87.98

Estimated volume 1349 (1868)
Previous day's open int. 16871 (16160)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Dec	2699.0	2724.0	2686.0	2719.0
Mar	2721.5			2741.0
Jun	2737.0	2731.0	2731.0	2758.0

Estimated volume 6305 (9185)
Previous day's open int. 47359 (46145)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5870	1.5789	1.5704	1.5604	1.5465

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Dec	102-05	102-25	101-31	102-14
Mar	100-30	101-17	100-25	101-08
Jun	99-24	100-11	99-20	100-02
Sep	98-17	98-23	98-17	98-30
Dec	97-16	97-22	97-16	97-29
Mar	96-18	96-23	96-18	96-30
Jun	-	-	-	96-02
Sep	-	-	-	95-09
Dec	-	-	-	94-19

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec	96.87	96.88	96.85	96.89
Mar	96.74	96.75	96.70	96.76
Jun	96.32	96.32	96.31	96.34
Sep	-	-	-	95.86

BRITISH POUND (IMM)
$s per £

	Latest	High	Low	Prev.
Dec	1.5744	1.6050	1.5710	1.6116
Mar	1.5640	1.5660	1.5596	1.6002
Jun	1.5540	-	1.5540	1.5908

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec	0.7258	0.7346	0.7238	0.7307
Mar	0.7210	0.7235	0.7190	0.7260
Jun	0.7165	-	0.7165	0.7225

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Dec	0.8178	0.8230	0.8150	0.8209
Mar	0.8178	0.8183	0.8158	0.8209
Jun	-	-	-	0.8216

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Dec	0.6445	0.6530	0.6425	0.6490
Mar	0.6369	0.6458	0.6361	0.6418
Jun	0.6325	0.6325	0.6325	0.6360
Sep	-	-	-	0.6318

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec	96.32	96.36	96.29	96.34
Mar	96.25	96.39	96.15	96.28
Jun	95.75	95.79	95.71	95.79
Sep	95.25	95.27	95.21	95.29
Dec	94.60	94.61	94.56	94.66
Mar	94.35	94.36	94.32	94.40
Jun	93.97	93.98	93.66	94.02
Sep	93.68	93.68	93.95	93.73

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Dec	414.15	414.40	413.50	413.85
Mar	424.60	414.85	413.60	414.20
Jun	415.15	415.15	414.15	414.55
Sep	415.85	415.85	414.85	415.25

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
1.650	-	1.64	2.25	2.84	-	9.22	10.24	11.44
1.675	-	1.12	1.66	2.26	-	11.20	12.15	13.30
1.700	-	0.74	1.20	1.74	-	13.21	14.18	15.27
1.725	-	0.46	0.84	1.32	-	15.42	16.31	17.33
1.750	0.02	0.26	0.57	0.99	16.93	17.71	18.52	19.48
1.775	0.02	0.17	0.41	0.73	19.49	20.17	20.80	21.69
1.800	0.01	0.09	0.26	0.52	21.96	22.57	23.14	23.95

Previous day's open int: Calls 518,117 Puts 556,756 (All currencies)
Previous day's volume: Calls 18,671 Puts 17,148 (All currencies)

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Sett price	Change	High	Low	† Yield	† Open int.
December	110.84	110.40	-0.32	110.94	110.38	8.37	206,168
March	111.38	110.92	-0.32	111.42	110.96	8.29	37,101
June	111.50	111.04	-0.32	111.50	111.50	8.27	8,838

Estimated volume 131,526 † Total Open Interest 252,107

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Sett price	Change	High	Low	† Yield	† Open int.
December	91.03	90.84	-0.17	91.08	90.93	8.99	37,704
March	91.93	91.88	-0.02	92.09	91.83	8.10	40,400
June	92.31	92.29	+0.01	92.41	92.24	7.72	22,242
September	92.50	92.39	-0.05	92.50	92.36	7.56	11,713

Estimated volume 27,692 † Total Open Interest 121,127

CAC-40 FUTURES (MATIF) Stock Index

	Open	Sett price	Change	High	Low	† Yield	† Open int.
October	1785.0	1773.0	-12.0	1789.0	1766.0	-	15,202
November	1800.0	1788.0	-12.5	1805.0	1782.0	-	5,009
December	1812.0	1803.0	-12.5	1820.0	1800.0	-	4,807
March	1841.0	1843.0	-12.0	1841.0	1841.0	-	1,421

Estimated volume 17,551 † Total Open Interest 30,169

ECU BOND (MATIF)

	Open	Sett price	Change	High	Low	† Yield	† Open int.
December	107.46	106.74	-0.60	107.66	106.74	8.85	13,464

Estimated volume 3,331 † Total Open Interest 13,464

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
107	3.43	4.16	-	0.05	0.34	-
108	2.52	3.35	-	0.09	0.50	-
109	1.64	-	-	0.21	0.70	-
110	0.90	1.98	-	0.47	1.01	-
111	0.38	1.43	-	0.95	1.43	-
Open Int.	285,745	100,416	1,742	222,680	81,929	1,460

Estimated volume 92,744 † Total Open Interest 693,972
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	8	Credit Lyonnais	8	McDonnell Douglas Bnk.	8
Allied Trust Bank	8	Cyprus Popular Bk	8	Midland Bank	8
AIB Bank	8	Duncan Lawrie	8	Mount Banking	9
● Henry Ansbacher	8	Equatorial Bank plc	8	NatWestminster	8
B & C Merchant Bank	13	Exeter Bank Limited	9.5	Northern Bank Ltd	8
Bank of Baroda	8	Financial & Gen. Bank	9	Nykredit Mortgage Bank	8.5
Banco Bilbao Vizcaya	8	● Robert Fleming & Co.	8	● Rea Brothers	8
Bank of Cyprus	8	Robert Fraser & Ptnrs.	8.5	Roxburghe Bank Ltd.	10
Bank of Ireland	8	Girobank	8	Royal Bk of Scotland	8
Bank of India	8	● Guinness Mahon	8	● Smith & Williamson Secs.	8
Bank of Scotland	8	Habib Bank AG Zurich	8	Standard Chartered	8
Banque Belge Ltd	9	● Hambros Bank	8	TSB	8
Barclays Bank	8	Hampshire Trust Plc	13.5	Unibank plc	8
Brit Bk of Mid East	8	Heritable & Gen Inv Bnk.	8	● United Bk of Kuwait	9
● Brown Shipley	8	● Hill Samuel	8	Unity Trust Bank Plc	8
CL Bank Nederland	8	C. Hoare & Co.	8	Western Trust	8
Citibank NA	8	Hongkong & Shanghai	8	Whiteaway Laidlaw	8
City Merchants Bank	8	Julian Hodge Bank	8	Yorkshire Bank	8
Clydesdale Bank	8	● Leopold Joseph & Sons	8		
Co-operative Bank	8	Lloyds Bank	8		
Coutts & Co	8	Meghraj Bank Ltd	8		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Sterling more liquid

THE HUGE liquidity problem that dogged the sterling cash market last week eased yesterday after the Bank of England forecast a shortage of £800m at the start of its market operations, *writes James Blitz.*

On Friday, the cost of borrowing money overnight peaked at a staggering 100 per cent because of acute shortages of sterling that were felt by commercial banks. Yesterday morning, there was more volatility in the short-dates as players expected the shortage of cash to keep the "overnight" very high.

However, the Bank eased the situation by forecasting a deficit half the size of what was expected, and by offering a 25-day repurchase agreement. The cost of 1 month money eased to 9¼ per cent offered, from a previous close of 9½ per cent, although the 3-month offered rate remained at 8 per cent. Overnight money closed at around 11 per cent offered.

That said, the market remains extremely nervous because of uncertainty over the government's policy on base rates. The run-up to the chancellor's Mansion House speech on Thursday is likely to be nerve-racking for dealers, as they toy with the idea of punting on another rate cut.

There is plenty of scope for thinking that the shortages have not gone away, either. The market is bracing itself for the traditional liquidity problem that comes at the end of each month, when accounts need to be settled. There are also some £5bn outstanding in the system following the Bank of England's forex intervention on "Black Wednesday". "What happens when the Bank's special lending facility to the market dries up later this year?" was the question put by one discount house dealer yesterday.

Trading in sterling futures reflected the easier cash situation, with the December contract rising 13 basis points to a close of 93.52. In contrast to that bullishness, the December Euromark futures fell back 6 basis points yesterday after Bundesbank officials took a hawkish view on the prospect for near-term cuts in German interest rates. It closed at 91.48, a level that would see the German discount rate unchanged between now and Christmas. French franc futures closed unchanged at 90.94 after the Bank of France drained the cash market of liquidity and failed to cut rates.

UK clearing bank base lending rate
8 per cent
from October 16, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.26)	3 months US dollars		6 months US Dollars	
	bid 3½	offer 3⅝	bid 3⅝	offer 3¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — *Treasury Bills and Bonds*

Lunchtime					
Prime rate	6	One month	2.95	Three year	4.94
Broker loan rate	5	Two month	2.91	Five year	5.94
Fed.funds	3¼	Three month	2.99	Seven year	6.46
Fed.funds at intervention	-	Six month	3.33	10-year	6.87
		One year	3.54	30-year	7.74
		Two year	4.37		

Oct.26	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.80-8.90	8.75-8.90	8.75-8.90	8.70-8.85	8.20-8.35	9.50
Paris	9⅞-10⅛	9⅝-9⅞	-	9⅝-9⅞	-	9.60
Zurich	5¾-6	5¾-6	-	6-6¼	-	-
Amsterdam	8.75-8.88	8.62-8.75	-	8.43-8.56	-	-
Tokyo	3⅞-4⅛	4¼-4⅜	-	-	-	-
Milan	14¼-14¾	14½-14¾	-	14½-14⅞	-	-
Brussels	8⅞-8⅞	8⅝-8⅞	-	8⅞-8⅞	-	-
Dublin	14-14½	14⅛-15¼	14½-15	14½-15	13-13½	-

LONDON MONEY RATES

Oct 26	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	20	11	9¼	8	7⅜	7
Interbank Bid	8	9	8¾	7¾	7⅛	6¾
Sterling CDs	-	-	8¾	7⅞	7⅛	7⅛
Local Authority Deps.	11	10	9¼	8	7¼	7⅛
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10	9¾	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	8¾	8	7	6¾
Treasury Bills (Buy)	-	-	7⅝	7⅛	6⅜	-
Bank Bills (Buy)	-	-	7⅝	7	6¼	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.15	3.37	3.59	3.73
SDR Linked Dep. Offer	-	-	5⅝	5¼	5⅝	5½
SDR Linked Dep. Bid	-	-	5⅝	5⅛	5⅛	5¼
ECU Linked Dep. Offer	-	-	10¼	10⅛	9⅞	9⅝
ECU Linked Dep. Bid	-	-	10	9⅞	9⅝	9⅜

Treasury Bills (sell): one-month 7½ per cent; three months 6⅞ per cent; six months 6⅝ per cent; Bank Bills (sell): one-month 7⅝ per cent; three months 6¾ per cent; Treasury Bills; Average tender rate of discount 6.8774. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1992. Agreed rates for period Oct. 26, 1992 to November 24, 1992, Scheme I: 11.18 p.c., Schemes II & III: 11.18 p.c. Reference rate for period August 29, 1992 to September 30, 1992, Scheme IV&V: 10.112 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from October 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 4¼ per cent; one-three months 7 per cent; three-six months 6½ per cent; six-nine months 6¼ per cent; nine-twelve months 6 per cent; Under £100,000 4¼ per cent from Oct 20, 1992. Deposits withdrawn for cash 4 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

Wimbledon & South West Finance PLC
114 Newgate St, London EC1 7AE 071-606 9485
High Int Cheque Acc ..... 7.50 5.63 7.71 Qtr

NOTES- Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

CROSSWORD

No.7,987 Set by HIGHLANDER

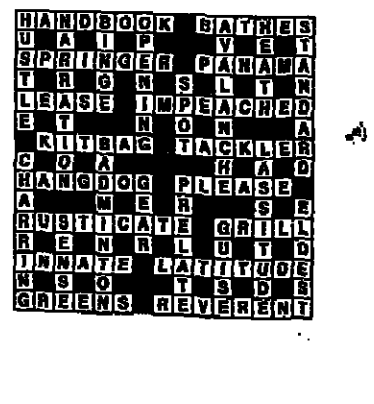
ACROSS

1, 5 Advertising feature shows private leading body of troops (8,6)
9, 10 Play part on the beards (8,6)
12 Move coaches, off-loading one by the harbor (9)
13 How Guinevere began to criticise what many knights were after (5)
14 Aylesbury is one to avoid (4)
16 Gamble on small number getting together (7)
19 Commission again makes note of gold and scarlet backing (7)
21 Decay created anew (4)
24 Many in top of building return to ground level (5)
25 Ban anything non-metric round child's bed (9)
27, 28 Reprimand drinkers swallowing last of Pomerol from flimsy shoes (6,8)
29, 30 What capital could gain from straightforward diversion (6,8)

DOWN

1 A steep adjustment to foreign currency (6)
2 Theatricals have a meal following second performance (6)
3 Section in The Pilgrim's Progress about defeating monsters (5)
4 Illustrations in book show royal couple in legendary ship (7)
6 Called University Brown, after old primate (5-4)
7 Admirable in a tank but pointless in a pencil (8)
8 Cuddling young bird (8)
11 Shot with knife?! (4)
15 It protects against corrosion below the water line (9)
17 Upholder of fair play walks round making introductions (8)
18 3-D image is not solid, they say, and has little weight (8)
20 Bundled up for auditor and carried away (4)
21 Try to win girl over with description of fabric (7)
22 Call me "Sire" – otherwise, no tricks (6)
23 Settles firmly on object in dual-purpose apartment (6)
26 Police evidence initially shows king has left body in thicket (5)

Solution to Puzzle No.7,986



WORLD STOCK MARKETS

CANADA

TORONTO

3 pm October 26

Total Sales 17,245,200 shares

MONTREAL

3 pm October 26

INDICES

NEW YORK

DOW JONES	Oct 23	Oct 22	Oct 21	Oct 20	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3207.64	3200.88	3187.10	3186.02	3413.21 (1/6)	3136.58 (9/10)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	101.99	102.06	101.83	101.99	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1333.17	1313.43	1306.38	1296.51	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	216.32	216.07	215.95	216.51	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3233.57 (3221.14) Low 3175.76 (3162.79) (Theoretical§)
Day's High 3215.20 (3202.23) Low 3196.02 (3174.23) (Actual§)

STANDARD AND POOR'S

	Oct 23	Oct 22	Oct 21	Oct 20	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	414.10	414.90	415.67	415.48	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4.40 (1/6/32)
Industrials	485.96	487.12	487.16	486.44	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	36.39	36.33	36.65	36.65	36.66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	227.83	228.10	228.60	228.58	233.73 (14/9)	217.92 (8/4)	233.73 (14/9/92)	4.46 (25/4/42)
Amex Mkt. Value	374.24	374.51	373.42	371.40	418.99 (12/2)	364.85 (9/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	597.30	597.12	597.15	592.70	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Oct 16	Oct 9	Oct 2	year ago (approx.)
Dow Industrial Div. Yield	3.27	3.31	3.24	3.00

	Oct 21	Oct 14	Oct 7	year ago (approx.)
S & P Industrial div. yield	2.72	2.76	2.80	2.69
S & P Indl. P/E ratio	27.22	26.77	26.45	21.44

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Philip Morris	6,213,800	74½	-2¼
Merck	3,663,500	41⅛	-⅝
RJR Nabisco	3,610,600	8	-¼
Magna Intl	3,323,100	19⅞	-3⅞
Gen Motors	3,283,000	33½	+⅝
Walt Disney	2,657,300	38½	+1⅜
Chrysler	2,507,000	26	-¼
Minerals	2,393,400	17	--
IBM	2,237,100	69⅞	+⅝
Syntex	1,892,300	23⅞	-⅛

TRADING ACTIVITY

† Volume (Millions)	Oct 23	Oct 22	Oct 21
New York SE	197.590	216.080	218.990
Amex	12.666	13.951	14.066
NASDAQ	229.239	229.798	222.046
NYSE			
Issues Traded	2,342	2,356	2,337
Rises	907	789	831
Falls	820	967	910
Unchanged	615	600	596
New Highs	50	64	74
New Lows	37	44	63

CANADA

TORONTO	Oct 23	Oct 22	Oct 21	Oct 20	1992 HIGH	1992 LOW
Metals & Minerals	2679.05	2695.52	2652.20	2630.44	3238.87 (16/1)	2603.82 (15/10)
Composite	3246.80	3258.80	3252.60	3241.80	3666.00 (16/1)	3195.40 (14/10)
MONTREAL Portfolio	1705.00	1709.48	1700.26	1691.36	1937.59 (16/1)	1663.16 (14/10)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. § The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Oct 26	Oct 23	Oct 22	Oct 21	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1450.7	1455.5	1448.2	1443.9	1684.50 (22/5)	1417.60 (19/10)
All Mining (1/1/80)	622.6	622.5	612.0	602.2	726.80 (3/7)	593.30 (19/10)
AUSTRIA						
Credit Aktien (30/12/84)	(c)	332.39	332.17	329.70	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	(c)	807.02	806.84	800.31	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1134.80	1132.96	1121.78	1118.17	1235.40 (2/6)	1046.07 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	(u)	254.34	257.44	257.87	365.29 (15/1)	254.34 (23/10)
FINLAND						
HEX General (28/12/90)	709.6	690.3	675.8	661.8	935.90 (24/2)	541.00 (7/9)
FRANCE						
CAC General (31/12/81)	466.16	460.76	454.94	461.66	565.93 (12/5)	441.70 (7/10)
CAC 40 (31/12/87)	1770.74	1766.41	1730.74	1722.24	2077.49 (11/5)	1611.04 (5/10)
GERMANY						
FAZ Aktien (31/12/58)	604.11	598.51	595.09	593.26	725.26 (26/5)	565.61 (12/10)
Commerzbank (1/12/53)	1707.6	1691.9	1681.4	1675.3	2043.80 (25/5)	1594.60 (12/10)
DAX (30/12/87)	1542.49	1526.82	1510.11	1503.90	1811.57 (25/5)	1420.30 (6/10)
HONG KONG						
Hang Seng Bank (31/7/64)	6062.47	6262.54	6329.12	6260.85	6329.12 (22/10)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	(c)	1148.01	1142.06	1129.94	1469.57 (17/1)	1094.88 (19/10)
ITALY						
Banca Com. Ital. (1972)	419.70	417.19	414.42	408.68	551.59 (6/2)	354.93 (16/9)
MIB General (2/1/92)	829.0	822.0	813.0	805.0	1086.00 (5/2)	696.00 (16/9)
JAPAN						
Nikkei (16/5/49)	17011.33	17117.65	17013.04	17141.52	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	1288.70	1296.69	1293.27	1298.33	1763.43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	1689.49	1695.88	1689.61	1688.64	2459.85 (6/1)	1502.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	(c)	630.07	623.87	615.85	630.07 (23/10)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	287.8	288.4	287.2	287.7	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	194.0	194.4	193.6	193.9	215.50 (26/5)	189.70 (25/8)
NORWAY						
Oslo SE (Ind) (2/1/83)	615.61	610.10	611.31	612.45	772.74 (18/5)	532.43 (25/8)
PHILIPPINES						
Manila Comp (2/1/85)	(c)	1321.41	1327.68	1354.15	1580.95 (11/6)	1083.81 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	(c)	360.11	351.46	351.41	416.99 (21/1)	351.41 (21/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	857.04	867.0	864.0	868.0	1327.00 (21/1)	782.00 (15/10)
JSE Industrial (28/9/78)	4083.04	3993.0	3993.0	3988.0	4689.00 (4/6)	3936.00 (19/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	582.74	571.34	568.97	599.71	691.48 (8/2)	459.07 (21/8)
SPAIN						
Madrid SE (30/12/85)	200.02	201.18	200.05	198.67	266.51 (28/2)	179.48 (5/10)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	722.90	721.9	701.0	692.2	1014.50 (11/5)	639.00 (5/10)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	847.1	844.1	843.0	844.4	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	646.1	643.0	641.8	641.4	682.30 (11/5)	596.40 (26/8)
TAIWAN**						
Weighted Price (30/6/66)	(c)	3662.60	3699.23	3694.38	5391.63 (30/1)	3351.63 (26/9)
THAILAND						
Bangkok SET (30/4/75)	913.88	903.39	902.76	883.93	913.88 (26/10)	667.84 (19/5)
WORLD						
M.S. Capital Intl (1/1/70) (S)	489.6*	486.7	490.9	489.9	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	833.54	834.02	821.98	818.99	976.55 (25/5)	772.52 (5/10)

**Saturday October 24: Taiwan Weighted Price: (c), Korea Comp Ex. 557.86
§ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 2b Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday, October 26, 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Aishin Seika	5.2m	1,140	-20	Nippon Chem	1.8m	601	+30
Sumitomo Chem	3.5m	485	-5	Nikken Chems	1.8m	1,090	-30
Snow Brand Milk	3.1m	795	+15	Hitachi	1.7m	710	-3
Jpn Mtl & Chem	2.0m	700	+1	Inabata	1.6m	1,270	-60
Mitsubishi Hvy	2.0m	540	-8	Mitsubishi El	1.4m	441	-2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3 pm October 26

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11	AAR Corp	0.48	4.1	18	221	12	11¾	11¾	
26¾	18	A L Labs A	0.18	0.7	86	601	u27	26⅞	27	+⅝
68¼	52⅝	AMP Inc	1.52	2.4	24	835	62⅝	62¼	62⅛	-⅛
80¼	54⅞	AMR				136898	64⅝	62½	64½	+1⅞
2⅞	1⅞	ARX			20	15	1⅞	1⅞	1⅞	
63½	33¼	ASA	2.00	6.1	21	374	33⅛	d32½	32⅞	-¼
34⅛	26⅛	Abbott Lab	0.60	2.1	20	5809	29⅛	28⅝	29	+¼
13⅞	10⅜	Abitibi Pr	0.42	3.9	5	11	10⅞	d10¾	10¾	
11⅞	10⅛	ACM Gvt In	0.86	8.8		371	10⅞	10¾	10⅞	+⅛
10⅛	9⅛	ACM GvOpp	0.79	8.4		60	9⅜	9¼	9⅜	+⅛
9¾	8½	ACM Gvt Sp	0.79	8.7		262	9⅛	9	9⅛	+⅛
11⅛	10½	ACM Gvt Sc	1.03	9.6		106	10¾	10⅝	10¾	
10⅝	8⅞	ACM Man	1.08	11.4		243	9⅝	9½	9½	
12⅞	9⅛	ACM Managd	0.99	10.3		69	9⅝	9½	9⅝	+⅛
11¼	4¾	Acme Cleve	0.40	5.5	14	334	7½	7⅛	7¼	+⅛
6¼	3¼	Acme Elect			34	51	4⅝	4⅜	4½	+⅛
33¼	14⅞	Acuson			12	779	16⅝	16	16⅝	+½
20	18⅛	Adams Expr	0.48	2.5	0	47	19⅛	19¼	19⅛	-⅛
49⅛	29½	Ad Micro	3.00	7.7		20	38⅞	38¼	38⅞	+⅛
21½	7½	Ad Micro P	3.00	20.7		42983	14⅞	14¼	14½	+⅛
9⅛	4⅞	Advest Grp	0.16	2.7	75	14	6	5⅞	6	+⅛
42¾	33	Aegon ADR	1.35	3.2	7	20	41¾	41¾	41¾	-⅛
47	38	Aetna Lf	2.76	6.6	10	2314	42⅛	40⅞	42	-⅛
12¾	8⅜	Affil A	0.24	2.2	14	687	10⅞	10½	10¾	+⅛
34	24	Aflac	0.44	1.5	14	1152	29⅝	29½	29½	
19⅛	13	Ahmanson	0.88	6.3	8	1059	14	13¾	13⅞	
22½	4	Aileen Inc			7	70	4¾	4⅛	4⅞	-⅛
49½	38½	Air Pr Chm	0.86	1.9	18	890	45⅝	45¼	45½	+⅛
28¾	12½	Airbne Frt	0.30	1.6	37	980	19	18¼	19	+⅞
35⅛	22⅝	Airgas Inc			29	75	35	34¼	35	+¼
12⅞	8⅛	Airlease x	1.68	14.9	8	65	11⅜	11	11⅜	+¼
104	99½	AlaPw8 16	8.16	8.0		2	101¼	101¼	101¼	
105	100¼	Alab 8 28C	8.28	8.0		2	103¼	103	103	-¼

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

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Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3 pm October 26

[illegible]

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pet HR&P	1.14	13	3	16	16	15¾	
Phil LD	0.26	15	173	37¼	36⅞	36⅞	+⅛
Pittway A	1.10	16	118	30¾	30⅜	30¾	+¼
Ply Gem	0.12	21	15	10⅛	10	10	
PMC x	0.68	14	60	10⅞	10¾	10⅞	
PresidioA	0.10	1	38	1½	1⅜	1⅜	-1/16
Price Com		0	7	1/16	d1/32	3/32	
RB&W Cp		2	2	3½	3½	3⅝	+⅛
RiedelEnv		6	4	8⅜	8¼	8⅜	
SJW Corp	1.96	7	23	33½	33	33½	+¼
StrnUnion		46	z100	15¾	15¾	15¾	
Sterl El		12	127	4¾	4⅝	4 11/16	+1/16
TII Ind		2	103	1⅜	1 5/16	1⅜	
Tab Prods	0.40	33	15	10¼	10⅛	10¼	
Tel&Data	0.32	45	95	34½	34¼	34⅜	-⅛
Thermedics		135	152	8⅜	8	8⅛	-¼
Thermoins		29	166	u30⅝	30	30⅜	-⅜
Total Pet	0.40	11	52	4⅞	d4¾	4¾	-⅛
TownCntry		0	30	1¾	1¾	1¾	
Tubos Mex		8	6104	6⅜	6¼	6⅜	
UtdFoodsA		3	32	1½	d1⅜	1⅜	
UtdFoodsB	0.20	4	9	1⅝	1½	1½	-⅛
UnivPtnts		32	11	10	9⅞	9⅞	
US Cellul		66	17	18⅜	18¼	18¼	-⅛
Vivigen		56	107	15⅜	15⅜	15⅜	
WangLab C		0	2	2	2	2	
WangLab B		0	797	7/16	⅜	7/16	
Wetherld		17	392	6	5⅞	6	-⅛
Westamer	0.52	9	15	20¾	20½	20¾	+⅛
WIRET	1.12	17	122	13¼	13	13¼	+⅛
Worthen	0.10	8	86	21⅞	21⅝	21¾	-⅛
Xytronix		6	65	6¼	5⅞	6¼	+⅜

NASDAQ NATIONAL MARKET

3 pm October 26

[illegible]

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
WattsIndA	0.28	16	491	45½	d44	44	-½
Wausau PM	0.34	14	432	39½	38	39	+1
WD-40	1.60	17	40	43½	42	42¾	+¼
Weitek		3	830	5¼	4⅞	5	-⅛
West One x	1.04	10	109	43	42¼	42¾	-¼
WstnPubl		19	2656	17⅝	16⅞	17	-⅜
Wst SealA		25	446	10	9	9¾	+¼
Wetterau	0.68	14	1334	30¼	30⅛	30¼	
Willmette	0.84	21	2812	34¾	33¾	34	-¼
WmSonoma		85	30	13¼	12⅞	12⅞	-¼
Wiser Oil	0.40	508	2	15½	15¼	15¼	
Wolohan L	0.28	14	z100	22¼	21¾	21¾	
Wolv Expl		0	2	5/32	5/32	5/32	
WrEyWBSA			5	1/16	d1/32	1/32	
Wthington	0.48	23	458	23	22⅝	22⅝	+⅛
WPP Group	1.17	1	5886	1 5/16	1¼	1 5/16	+1/16
Wyman-Gdn	0.40	1	202	5⅛	4⅞	4⅞	-⅛

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		19	2693	17½	16¾	17¼	-¼
Xoma Corp		5	491	10¼	9¾	10¼	
Yellow Fr	0.94	22	2173	27⅝	26¾	26⅞	-⅞
York Rsch		7	2309	7½	6¾	6⅞	-½
ZionsUtah	1.44	10	137	u63	60¾	61	-2

AMERICA

Election keeps Dow trapped in narrow range

Wall Street

US share prices were trapped in a narrow range yesterday morning with investors trading cautiously ahead of next week's presidential election, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was up 4.32 at 3,211.96, having spent the morning session no more than a few points either side of opening values. The more broadly based Standard & Poor's 500 was also little changed at the halfway mark, up 0.44 at 414.54, while the Amex composite was up 0.04 at 374.28 and the Nasdaq composite 1.11 lower at 596.19. Turnover on the NYSE was lighter than in recent days at 99m shares by 1 pm.

Over the past week the markets have been busy and trading heavy as investors repositioned their portfolios ahead of the November 3 election. That phase appears to be over, and a new period of consolidation and caution is likely to take hold this week, with more investors moving to the sidelines as election day nears.

Investors were also subdued by the latest opinion polls, which showed Governor Bill Clinton's lead narrowing after a surge in support for Mr Ross Perot, the independent candidate.

The absence of fresh economic news or important quarterly corporate earnings figures also contributed to the market's torpor, although today's release of third quarter GDP will be closely watched for its impact on the political situation.

Among individual stocks, General Motors held steady at $33⅛ in turnover of 1.7m after Mr Robert Stempel, the chairman, announced his resignation. The departure of Mr Stempel had been widely predicted, and the lack of a response from the market suggested that investors had not yet passed judgment on the move, primarily because the company did not immediately name a new chairman. The other two car manufacturers were both firmer, buoyed up by recent good sales figures. Chrysler put on $⅝ to $26½, and Ford firmed $⅛ to $39⅞.

Phillips Petroleum eased $⅛ to $25¾ after reporting third quarter net income of 38 cents a share, up from 21 cents a share a year ago. Other oil stocks, most of which reported their earnings last week, were also lower, with Occidental down $¼ at $15⅞, Texaco down $⅛ at $61¾ and Chevron $⅜ weaker at $72¾.

On the Nasdaq market, Somatix rose $⅝ to $7 after an analyst at broking house Oppenheimer said that the company should benefit from gene therapy that could possibly become commercially viable next year. Radius dropped $¼ to $5 on disappointing fiscal fourth quarter earnings.

Canada

TORONTO stocks posted modest gains at midday, but declines in Canada's heavily weighted gold shares restrained activity and the country's referendum on constitutional reforms kept many players sidelined. The TSE-300 Index was up 5.30 at 3,252.1 on volume of 25.5m shares valued at C$89.7m.

Among active stocks, Magna International recovered C$1⅛ to C$25 after Friday's losses. TransCanada Pipe rose C$⅛ to C$17⅞ and Canadian Imperial Bank added C$¼ to C$27⅝.

SOUTH AFRICA

INDUSTRIAL stocks edged higher in dull trading as the market awaited this week's inflation data: the industrial index rose 9 to 4,003. Golds lost 10 to 857 as the bullion price weakened, while the overall index rose 1 to 3,034.

EUROPE

Bundesbank statements encourage Frankfurt

INTEREST rate prospects continued to dominate continental trading yesterday. Vienna was closed for a holiday, *writes Our Markets Staff.*

FRANKFURT moved from a negative position in the pre-bourse to close higher as weekend statements from some Bundesbank council members led the market to believe that interest rates would be cut this week.

In spite of warnings from Mr Helmut Schlesinger yesterday that inflation would rise next year and from Chancellor Helmut Kohl on the possibility of early tax increases, the DAX index closed 15.67 higher at 1,542.49 as turnover fell to DM4.7bn from DM5.2bn.

The positive mood was reflected in leading shares which showed strong advances. But Daimler-Benz managed a gain of just 80 pfg to DM561.80 after denying weekend press reports that its Mercedes-Benz division would show a loss this year because of weaker car sales. Mercedes fell DM3 to DM423.

Other car manufacturers reflected the depressed state of the industry while BMW's DM7 gain to DM492 may have been helped by the stronger dollar which supported export-orientated companies.

Investors took little notice of a magazine report that Thyssen was thinking of cutting its dividend this year to DM8 from DM10 and the shares rose DM5 to DM162.

PARIS made an unexciting start to the new trading account, which was reflected in the modest turnover of FFr1.8bn. A lower Matif amid disappointment that a ¼ point cut in interest rates did not materialise took the CAC-40 index off its day's high of 1,785.44 to end 4.33 higher at 1,770.74.

Sextant Avionique jumped FFr22.50 or 21.2 per cent to FFr128.50 following statements from senior executives at its parent Thomson-CSF that the company was expected to approach break-even by year-end.

Among other risers were Moulinex which rose FFr4.10 to FFr84 after its recent, heavy fall and Euro Disney which added FFr2.40 to FFr78.95. Losers included L'Oréal, down FFr17 to FFr977 and Saint-Gobain which fell FFr7.40 to FFr487.

AMSTERDAM began the week where it had left off, with continued interest in Fokker. The CBS Tendency index rose 0.2 to 104.1.

The aircraft manufacturer's shares recovered some 13 per cent as the government said that it would give details of the takeover terms with Dasa. The expected announcement had still not come by the close and Fokker finished Fl 2.40 higher at Fl 18.20.

DAF slipped to an all-time low of Fl 10 before recovering slightly to end 30 cents lower at Fl 10.50. The group said on Friday that it was to reduce working hours because of the slowdown in new truck sales.

DSM was Fl 1.30 lower at Fl 85.40 ahead of Thursday's third-quarter figures which are expected to confirm the depressed state of the chemicals sector.

ZURICH noted interest in Volksbank after the group announced that it was to change its status from a co-operative into a joint-stock company. After a brief suspension, Volksbank bearers advanced SFr40 before closing SFr20 higher at SFr605. The SMI index gained 9.9 to 1,930.9.

Other banks also firmed as money market rates eased further: UBS bearers, the day's most active issue, advanced SFr8 to SFr833.

Among the insurers Swiss Re bearers put on SFr20 to SFr2,520, while Zurich certificates rose SFr6 to SFr956.

MILAN closed off the day's highs on profit-taking after Friday's interest rate cut. Disappointment that the Bundesbank did not follow suit also prompted some selling. The Comit index rose 2.51 to 419.70 in turnover estimated at L160bn after Friday's relatively heavy L241bn.

The food group Sme attracted attention on continued hopes that it would soon be privatised. The stock added L261 or 5.8 per cent to L4,738. By contrast, shares in Nuovo Pignone, another privatisation stock, fell heavily and were suspended towards the end of trading, having fixed L555 lower at L5,100.

Elsewhere, Stet jumped L47 or 3.7 per cent to L1,325 on bargain-hunting after its recent weakness.

MADRID retreated marginally, the general index falling 1.16 to 200.02. Telefónica, which said that it expects group revenue to increase by 16 per cent from 1991, improved Pta6 to Pta956, although recent presentations in London and Madrid have disappointed some analysts.

STOCKHOLM gathered momentum after the central bank cut interest rates but fell back later on profit-taking. The Affärsvärlden index closed 1.0 higher at 722.9 in turnover down to SKr357m from Friday's SKr616m.

The forestry sector showed a gain of some 1.3 per cent as exporters were lifted by the stronger US currency.

OSLO saw Elkem's A shares tumble by more than 25 per cent after the group reported bigger than expected interim losses on Friday. The A shares lost NKr5.5 to NKr16.0 while the free shares shed NKr8 to NKr20. However, strength elsewhere left the all-share index up 3.66 to 352.63 in turnover of NKr274.5m.

BRUSSELS closed narrowly mixed in thin trading as further gains in Petrofina offset declines among some industrial stocks. The Bel-20 index inched 1.84 higher to 1,134.80 in turnover of BFr760m.

Petrofina closing BFr160 or 2.1 per cent higher at BFr7,750 while Solvay dropped BFr75 to BFr11,625 and Electrabel fell BFr60 to BFr5,310.

HELSINKI continued to gain strongly on lower domestic interest rates and the HEX index firmed 2.8 per cent to close at 709.6. Turnover amounted to FM83.8m.

FT-SE Actuaries Share Indices

October 26 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1042.14	1041.91	1039.99	1039.30	1039.79	1039.02	1039.33	1038.16
FT-SE Eurotrack 200	1106.19	1107.14	1103.16	1102.32	1102.62	1103.61	1104.93	1104.46

	Oct 23	Oct 22	Oct 21	Oct 20	Oct 19
FT-SE Eurotrack 100	1034.38	1021.53	1015.54	1021.70	1001.00
FT-SE Eurotrack 200	1106.83	1095.16	1087.95	1090.40	1063.18

Base value 1000 (26/10/90) High/day: 100 - 1042.78; 200 - 1108.05 Low/day: 100 - 1037.53 200 - 1099.41

ASIA PACIFIC

Nikkei closes at day's low as trading volume falls

Tokyo

SHARE prices fell moderately in low activity, as investors remained inactive ahead of the Bank of Japan's branch managers' meeting which starts today. Volume fell to 130m shares, the lowest level since August 3, *writes Emiko Terazono in Tokyo.*

The Nikkei average lost 106.32 to close at the day's low of 17,011.33. The index moved within a narrow range, briefly hitting the day's high of 17,153.76 in the afternoon session.

Declines led advances by 594 to 305 with 187 issues remaining unchanged. The Topix index of all first section stocks lost 7.99 to 1,288.70 and in London, the ISE/Nikkei 50 index rose 2.21 to 1,036.85.

Traders said that while sentiment remained subdued, growing expectations of a cut in the official discount rate prevented active selling. Market participants hope that the central bank's meeting of regional managers will shed some light on monetary policy. "Lower interest rates will increase the money flow, pushing up volume," said Mr Takatoshi Okuyama, strategist at Daiwa Securities.

However, a fund manager at Nippon Life, the leading life assurer, said that he would not be in a hurry to buy even if interest rates declined. "We would have to see good profit figures, and an improvement in economic indicators reflecting a recovery," he said.

Investors remained on the sidelines ahead of this week's spate of corporate earnings announcements. Leading electronics makers, such as Matsushita Electric Industrial and NEC announce their interim profits today, while shipbuilders are scheduled to report half-year profits at the end of the week.

Fears that the higher yen would hurt interim earnings at exporters prompted light selling. Hitachi fell Y3 to Y710 and Fujitsu Y4 to Y553.

Dealers took profits on speculative issues which rose last week. Nippon Telegraph and Telephone, which surged on Friday on reports of its success in room-temperature nuclear fusion research, lost Y30,000 to Y567,000. Aisin Seiki, which also gained on the same theme, was the most active issue of the day, falling Y20 to Y1,140.

Issues related to Alzheimer's disease cures gained ground. Snow Brand Milk advanced Y15 to Y795 and Takeda Chemical added Y10 to Y1,240.

Some dealers looked for quick profits in public works-related issues, pushing up road stocks and bridge builders. Maeda Road Construction gained Y50 to Y2,700 and Yokogawa Bridge Y40 to Y1,110.

In Osaka, the OSE average fell 22.29 to 18,725.81 in volume of 20m shares.

Roundup

SINGAPORE, Kuala Lumpur, Taiwan and New Zealand were all closed yesterday for public holidays. Meanwhile, trading in Manila was cancelled after Typhoon Colleen unleashed torrential rains on the capital.

HONG KONG ended sharply lower as investors took profits after Beijing attacked Governor Chris Patten's plans to widen democracy in Hong Kong. The Hang Seng Index closed 200.07 or 3.2 per cent lower at 6,062.47, having fallen to the day's low of 6,012.94 at the opening.

HSBC Holdings, which topped the most active list, fell HK$2 to HK$60 and its unit Hang Seng Bank also lost HK$2 to close at HK$52.50. Cheung Kong eased HK$1.10 to HK$22.90 and Hutchison Whampoa slid 80 cents to HK$16.80.

SEOUL closed sharply higher on across-the-board buying inspired by news that the Daewoo Group chairman had denied political aspirations. The composite stock index jumped 24.88 to 582.74, as 684 shares went limit-up. Turnover totalled Won423.7bn after Saturday's half-day Won325.82bn.

Daewoo Corp recorded the greatest turnover of 2.61m of the 36.41m shares traded. It rose Won400 to close limit-up at Won9,500.

AUSTRALIA ended a four-day climb when it closed near its lows for the day in uncertain trading. The All Ordinaries index ended 4.9 lower at 1,450.7 in turnover of A$151.8m.

The biggest loser was National Australia Bank which plunged 17 cents to A$6.95 amid rumours it was considering a paper bid for ANZ. NAB had no comment and ANZ dropped 1 cent to A$2.94.

BANGKOK's SET index gained 11.12 or 1.2 per cent to close at 913.88, its highest close since August 17 1990, on the back of a strong baking sector. Turnover was active at Bt13.11bn. Krung Thai Bank jumped Bt22 to Bt260.

Rate cut hopes lift European equities

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1992	Start of 1992	Start of 1992
Austria	+2.24	-2.32	-17.15	-8.65	+5.71	-8.86
Belgium	+3.63	+0.93	-2.51	-2.73	+11.76	-3.65
Denmark	-0.28	-3.98	-33.19	-29.46	-17.90	-29.22
Finland	+10.39	+19.36	-13.09	-5.86	-6.21	-19.15
France	+5.03	-4.05	-3.01	-0.51	+15.29	-0.60
Germany	+4.32	+1.29	-7.44	-5.85	+8.25	-6.68
Ireland	+4.77	-6.79	-22.07	-18.62	-7.11	-19.92
Italy	-0.05	+17.81	-15.54	-14.69	-15.28	-26.95
Netherlands	+1.45	-1.10	+0.18	+3.29	+18.67	+2.30
Norway	+5.51	+0.92	-32.00	-18.73	-9.78	-22.22
Spain	+3.96	+0.57	-24.68	-18.51	-16.49	-28.01
Sweden	+9.87	+5.21	-17.16	-7.55	+3.06	-11.15
Switzerland	+1.42	-0.88	+8.34	+12.13	+29.16	+11.35
UK	+4.52	+2.70	+3.13	+6.86	+6.86	-7.87
EUROPE	+3.92	+1.34	-3.25	+0.05	+7.48	-7.36
Australia	+3.11	-2.55	-13.81	-13.85	-5.57	-18.59
Hong Kong	+4.31	+9.81	+55.62	+45.47	+69.82	+48.61
Japan	-1.42	-5.93	-30.32	-23.87	-9.52	-22.00
Malaysia	+4.33	+5.57	+19.73	+12.84	+42.09	+22.50
New Zealand	-0.54	-7.85	-14.10	-16.89	-3.49	-16.79
Singapore	+1.53	+0.62	-12.21	-16.02	-2.35	-15.81
Canada	+1.59	-4.39	-8.42	-8.84	-1.89	-15.42
USA	+0.54	+0.01	+7.25	-0.52	+15.38	-0.52
Mexico	+7.62	+20.85	+11.52	+6.15	+19.78	+3.26
South Africa	+4.06	-6.67	-15.57	-15.10	-27.91	-37.85
WORLD INDEX	+1.05	-1.21	-8.26	-7.64	+5.22	-9.28

† Based on October 23rd 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities

By John Pitt

EUROPEAN equity markets, given further encouragement that Germany might cut its Lombard rate by the end of the year, turned in good performances last week.

In spite of some disappointment at the size of Tuesday's cut by the Bundesbank of its key repurchase rate, a signal that interest rates may fall in the short term, the European component of FT-Actuaries World Index rose nearly 4 per cent in local currency terms, with only Denmark and Italy showing slight falls.

It was Finland's turn to shine with a spectacularly good performance that was almost matched by Sweden. Mr Peter Lawrence, Scandinavian analyst at Kleinwort Benson, comments in a recent review that Finnish equities are now showing the first signs of recovery, spurred by the second devaluation within the year, a government savings package and a better than expected set of eight-month figures.

However, the rise needs to be kept in context given the market's recent bad performance: the HEX index remains some 26 per cent down on its February high. Mr Lawrence adds that the next stimulus should come in the new year when Finland finally lifts restrictions on foreign ownership of shares.

Sweden was also buoyed up by further cuts in overnight rates and the stronger dollar, with genuine buying interest being seen by domestic institutions. Even disappointing eight-month results from Skanska early in the week failed to dent the rally as investors began to feel that sentiment had started to improve.

Elsewhere, Mexico rallied with a rise of nearly 9 per cent in dollar terms during the week. Latin American Securities comments that sentiment was encouraged by the successful renegotiation of the annual wage and price accord which removed uncertainty over exchange rate and interest rate fluctuation.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY OCTOBER 23 1992								THURSDAY OCTOBER 22 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	122.80	+0.2	112.87	94.66	97.72	113.74	+0.6	4.30	122.55	112.05	93.60	96.24	113.09	153.68	118.97	155.76
Austria (19)	151.77	−0.5	139.50	117.00	120.76	119.86	+0.0	2.35	152.46	139.40	118.32	119.73	119.84	186.70	139.27	161.58
Belgium (42)	139.07	−0.3	127.83	107.20	110.66	108.20	+1.3	5.69	139.49	127.54	106.42	109.54	106.81	152.27	135.87	129.12
Canada (114)	115.28	−0.3	105.96	88.86	91.72	104.05	−0.1	3.40	115.62	105.72	88.21	90.79	104.11	142.12	112.97	138.44
Denmark (33)	189.09	−3.5	173.80	145.76	150.46	151.41	−2.3	1.89	196.04	179.25	149.56	153.95	155.05	273.94	189.09	252.63
Finland (15)	63.08	+1.3	57.98	48.63	50.19	63.74	+2.2	2.21	62.26	56.93	47.51	48.90	62.40	89.80	52.84	85.02
France (101)	149.53	+0.4	137.44	115.26	118.97	121.66	+1.7	3.71	148.95	136.19	113.64	116.96	119.69	168.75	146.54	138.15
Germany (64)	109.49	−0.3	100.64	84.41	87.12	87.12	+1.1	2.84	109.77	100.37	83.76	86.20	86.20	129.69	106.62	105.49
Hong Kong (53)	258.20	−1.3	237.33	199.04	205.46	256.23	−1.3	3.48	261.48	239.08	199.50	205.35	259.48	261.48	176.36	163.56
Ireland (16)	134.39	−2.0	123.52	103.69	106.93	110.12	−0.5	4.93	137.13	125.38	104.62	107.68	110.63	173.71	130.87	158.09
Italy (77)	55.07	+0.3	50.61	42.45	43.81	55.17	+1.5	3.76	54.90	50.20	41.89	43.11	54.37	80.86	47.47	68.56
Japan (472)	105.94	−0.9	97.38	81.67	84.31	81.67	+0.2	1.04	106.86	97.71	81.53	83.93	81.53	140.95	87.27	141.22
Malaysia (69)	262.37	+0.8	241.16	202.25	208.77	253.28	+0.9	2.58	260.25	237.96	198.55	204.37	251.01	262.37	212.49	201.68
Mexico (18)	1436.52	+0.6	1320.38	1107.38	1143.05	4909.75	+0.6	1.22	1428.47	1306.09	1089.87	1121.78	4882.22	1789.77	1185.84	1326.73
Netherland (25)	156.19	−1.0	143.57	120.40	124.29	123.01	+0.5	4.61	157.72	144.21	120.34	123.87	122.41	169.70	147.88	138.72
New Zealand (14)	39.09	+0.2	35.93	30.14	31.11	38.37	+0.1	5.90	39.01	35.67	29.77	30.64	38.34	48.52	38.79	47.94
Norway (22)	139.06	−1.9	127.82	107.20	110.66	117.84	−0.6	2.06	141.77	129.63	108.17	111.34	118.30	192.95	136.04	185.67
Singapore (38)	184.95	+2.9	169.99	142.57	147.16	137.73	+3.0	2.39	179.65	164.26	137.07	141.08	133.66	229.63	179.65	197.91
South Africa (60)	154.70	+0.2	142.19	119.25	123.09	146.88	+0.0	3.47	154.43	141.20	117.83	121.27	146.92	283.60	144.29	255.70
Spain (46)	112.60	−1.2	103.50	86.80	89.60	93.37	+0.4	6.41	113.92	104.16	86.92	89.46	93.00	161.72	110.05	150.70
Sweden (31)	160.94	+2.3	147.93	124.07	128.07	137.41	+3.4	2.85	157.26	143.79	119.99	123.50	132.94	200.26	149.69	181.26
Switzerland (60)	111.76	−0.9	102.72	86.16	88.94	94.54	+0.2	2.26	112.75	103.09	86.03	88.56	94.37	122.37	95.99	93.36
United Kingdom (228)	170.74	−0.1	156.94	131.61	135.85	156.94	+0.5	4.67	170.87	156.23	130.35	134.17	156.23	200.07	164.88	172.84
USA (522)	168.99	−0.2	155.32	130.27	134.47	168.99	−0.2	3.01	169.30	154.80	129.18	132.96	169.30	173.39	160.92	156.08
Europe (781)	136.84	−0.2	125.78	105.49	108.89	117.52	+0.8	4.00	137.10	125.36	104.60	107.67	116.62	156.88	135.02	136.67
Nordic (101)	146.29	+0.2	134.47	112.77	116.41	117.84	+1.3	2.50	145.99	133.49	111.39	114.65	116.32	188.52	141.24	160.31
Pacific Basin (714)	111.13	−0.8	102.15	85.67	88.43	87.44	+0.1	1.39	111.99	102.39	85.44	87.95	87.32	141.97	93.70	141.68
Euro−Pacific (1495)	121.53	−0.5	111.71	93.68	96.70	99.59	+0.4	2.58	122.16	111.68	93.19	95.92	99.17	145.21	113.80	140.03
North America (636)	165.65	−0.2	152.25	127.71	131.83	164.57	−0.2	3.03	165.96	151.74	126.64	130.35	164.87	170.49	158.70	154.91
Europe Ex. UK (553)	116.40	−0.3	106.99	89.76	92.64	96.01	+1.0	3.52	116.72	106.72	89.07	91.68	95.06	132.98	115.41	115.14
Pacific Ex. Japan (242)	162.10	−0.1	149.00	124.96	129.00	146.63	+0.0	3.62	162.32	148.41	123.86	127.48	146.64	175.31	149.00	146.14
World Ex. US (1687)	122.47	−0.5	112.57	94.41	97.45	101.45	+0.4	2.61	123.06	112.51	93.89	96.64	101.04	146.81	116.18	141.93
World Ex. UK (1981)	134.05	−0.4	123.20	103.33	106.66	118.76	+0.1	2.55	134.56	123.03	102.67	105.68	118.63	150.58	127.21	143.04
World Ex. So. Af. (2149)	137.20	−0.4	126.11	105.77	109.18	121.91	+0.2	2.77	137.70	125.90	105.07	108.14	121.70	153.05	130.04	144.92
World Ex. Japan (1737)	155.04	−0.2	142.51	119.53	123.39	145.69	+0.2	3.39	155.32	142.01	118.51	121.99	145.45	165.40	151.93	149.39
The World Index (2209)	137.22	−0.4	126.12	105.78	109.19	122.18	+0.2	2.77	137.71	125.91	105.07	108.16	121.98	163.70	130.66	145.65

Latest prices were unavailable for this edition.

SRI LANKA

SECTION III

Tuesday October 27 1992

Given a brief respite from political instability, Sri Lanka has shown its economic potential with a surge of business activity – a feat which underlines just how great a tragedy the country's recent past has been. **William Keeling** reports

Strife must be resolved

Kandy and its artificial lake attract many tourists. Tourism accounted for 64,800 jobs in Sri Lanka last year, according to the central bank. Report, Page 8

SRI Lanka has high aspirations. The talk within government and business circles is of the island joining Malaysia as one of Asia's emerging industrialised nations, with Colombo, the *capital, modelling itself on the* city-state of Singapore.

For a country which remains racked by a separatist war in its north and east, and which is recovering from a Marxist insurgency in the south, such *economic pretensions might* seem misplaced.

President Ranasinghe Premadasa, however, has pursued a vigorous economic reform policy since his 1988 election.

State corporations are being *sold off or returned to private* management, and Sri Lanka has adopted a generous tax regime to attract foreign investment. The economic response to the state's withdrawal has been encouraging.

In 1989 the government quelled a four-year civil insurgency in the south, instigated by the People's Liberation Front (JVP) – a banned Marxist political party. And with the resumption of normal business *activity, GDP grew by 6.2 per* cent in 1990.

Growth this year is unlikely to exceed 4.5 per cent, but would be higher except for a severe drought in the first quarter. This surge in eco*nomic activity has mostly* come from the south-west of *the country, around Colombo.*

Given a respite from political instability, Sri Lanka has given notice of its economic potential, a fact which underlines how great a tragedy the country's recent past has been.

The country entered the 1980s with its population, currently 17m, enjoying a 90 per cent literacy rate, and social indicators the envy of other developing nations.

Located off the south-east tip *of India, Sri Lanka is well-posi*tioned as a trade and shipping hub, linking the sub-region with the Middle East, Europe and Asia.

Simmering ethnic tensions, however, between the minority *Tamils and the majority Sinha*lese, erupted into civil war in 1983.

As the scale of the conflict escalated, economic policy received a low priority. In the past 10 years, at least 30,000 *government soldiers, Tamil* Tiger separatists and civilians have died in the conflict.

The two-year intervention of an Indian peace-keeping force from 1987 failed to broker an accord and the prospects for *peace have again deteriorated.*

Nearly 900 government soldiers have been killed this year, including Maj-Gen Denzil Kobbekaduwa, military commander of the north, killed by a landmine in August.

*Between 1986-1989, the gov*ernment had also to confront the JVP insurgency which brought the economy, and *business of state, to a virtual* halt.

By 1988, when the government began its counter-offensive in earnest, about 1,000 members of the ruling UNP party had been assassinated. In *1989 the three main leaders of* the JVP were killed by security forces and the insurgency was effectively quelled. An estimated 25,000 civilians died in the struggle.

The horrors of the period *make the subsequent economic* upturn all the more remarkable, but building the confidence of the international business community in Sri Lanka will be a slow process.

A steady start has been *made. Direct foreign invest*ment inflows have increased from \$32m in 1990 to an expected \$70m-\$120m this year. Donors expect the flow to increase to \$300m-\$400m a year by mid-decade.

Tourists have returned, with at least 380,000 expected this year, more than double the arrivals in 1987.

The Colombo stock market has opened to foreign investors and is providing an important new source of corporate funding. Market capitalisation has grown from SLRs18bn in 1989 to SLRs75bn this year.

Although the country *is run*ning a large trade deficit, the value of industrial exports has more than doubled in the last four years to SLRs50bn in 1991.

The government has begun to market its reforms to inter*national investors, but it is too* early to label Sri Lanka a success story.

Much remains to be done on the economic front, including the need to rationalise and lower tariffs, and make the *rupee freely convertible.*

Foreign investment is a fraction of what the country needs to provide employment for those entering the labour market. Textile and garments dominate the growth of new indus*try, with little investment in* higher value sectors such as electronics. More important, politics may yet bar the way to *further economic progress.*

While supporters of Mr Premadasa attribute recent economic growth to his strong leadership, his critics describe him as authoritarian, with a low regard for the country's *democratic traditions.*

The president's position has recently been bolstered by the collapse of a parliamentary move to impeach him alleged abuse of power and the refusal by the supreme court to annul *the result of the 1988 election* on the grounds of electoral misconduct.

Continuing dissent within the Bandaranaike family, which leads the main opposition Sri Lanka Freedom Party, *has also improved* Mr *Prema*dasa's prospects of winning a second presidential term in an election he must call by December 1994.

His overriding problem, however, remains the continuing *war with the Tamil Tigers*, who have been firm in their demand for an independent state.

Aside from the loss of life, the government *has* to care for more than 1m displaced people, while in the Tamil-held Jaffna peninsula a generation of children have been schooled in warfare.

All *Mr Premadasa's options* carry the possibility of failure, given the deep animosity between the Tamil Tigers and the government. Opposition parties are liable to use any peace proposal to accuse Mr *Premadasa of capitulation.*

The government could opt for an all-out effort to crush the Tigers, but the army has been severely weakened by the loss of senior officers and success cannot be guaranteed.

*An attempt to re-open negoti*ations might be made, but the separatist leaders have shown little inclination for a compromise settlement. The move would also risk a backlash from the Sinhalese majority in *the south.*

An all-party parliamentary committee – in which Tamil parties, but not the Tigers, are *represented* – has been *created* to find a resolution to the conflict. However, agreement is far from assured and any resolution could still be rejected by the Tamil Tigers.

The final option for Mr Pre*madasa is to continue with the* current stalemate, at least until elections are complete, with the constant flow of casualties that this entails.

However, this course means *maintaining a defence budget, running at 4 per cent of GDP a* year.

It would mean further cuts in public investment to meet donor *targets for* government expenditure – and would undermine the long-term pros*pects for economic growth.*

The progress made in the past three years is a cause for optimism. The success of the enclave economy in the south west shows what can be done. But if Sri Lanka is to realise its *full potential it must resolve* its civil conflict.

IN THIS SURVEY

Editorial production: Phil Sanders

■ THE ECONOMY

Rapidly shedding state controls

SRI Lanka, embarked on a vigorous course of economic liberalisation, is rapidly shedding the vestiges of an inward-looking state-controlled economy. Instead, the country is diversifying from a traditional agricultural base by attracting export-oriented industry.

There are three main obstacles to the success of the government's economic plans:

- Almost every developing country has the same economic agenda and is competing to attract foreign capital;
- Recession among developed nations has reduced the pool of available capital;
- Sri Lanka is still experiencing a costly and destabilising civil war.

There is, however, cause for optimism.

With single-minded determination, Sri Lanka's economic technocrats have charted a path through the minefield of fratricidal war into a period of tentative growth.

Gross domestic product (GDP) growth rose from 2.3 per cent in 1989 to 6.2 per cent in 1990 and 4.8 per cent in 1991. Although it is forecast at 4.5 per cent this year, a severe drought in the first few months wiped out about 1 per cent potential growth.

Between 1978-1991, the share of agricultural produce in total exports fell from 79 per cent to 31.5 per cent. Last year, tea – Sri Lanka's main agricultural export – accounted for 21 per cent of exports, compared to 48.5 per cent 13 years earlier.

In the same period the share of manufactured items rose from 15 per cent to 60 per cent of total exports. The textile and garments sector has been particularly strong, rising 27 per cent last year to $850m and accounting for more than half of total manufactured exports.

There has also been a recent increase in the direct foreign investment (excluding the stock market) which Sri Lanka has attracted, increasing from $32m in 1990 to an expected $70m-$120m this year.

Donor agencies predict flows of direct foreign investment will reach $300m-$400m a year by the second half of the decade.

In its efforts to attract foreign investment, the government has offered generous tax holidays and freedom from all import and export tariffs for export-oriented businesses, coupled with the right to remit profits.

Ministry of finance officials say that all possible incentives are in place and it is now a question of marketing the reforms.

Donor agency officials, however, question the government's emphasis on tax holidays, which for new export-oriented businesses can extend up to 20 years, equivalent to the production life of many factories.

In giving these tax breaks, the government has cut itself off long-term from an important source of revenue.

"It's true, but we just can't help it," explains a ministry of finance official. "We had a plan to abolish the tax holidays, but then Vietnam, Bangladesh, India and Pakistan opened up. Unless we offer matching returns, it will be difficult to compete."

Donors have asked the government to reconsider, arguing

Steps have been taken to open the stock market to foreign investors

that foreign companies are attracted more by cheap labour, a literate workforce, reliable infrastructure and minimal bureaucracy, than the generosity of the tax structure.

Many businessmen agree. One executive of a multinational in Sri Lanka says: "We don't go chasing tax holidays. If we make a profit, we expect to pay some tax."

On the domestic side, an ambitious programme to privatise state enterprises has begun with 21 companies already removed from the government's books.

A restructuring of the economically important, but loss-making, tea sector has led to a majority of plantations being returned to private management.

Steps have also been taken to open the stock market to foreign investors, promote domestic share-ownership and develop unit trust and bond markets. All this has been done with the active support of international donors who last February pledged Sri Lanka $825m in, mostly concessional, aid for the year.

Aid might increase, in the manner of a "peace dividend" if a solution to the conflict is found.

Although the government has moved rapidly in its economic reforms, much remains to be accomplished if longer-term recovery is to be secured.

While exports have increased in value, so have imports and the trade deficit, which stood at $1.02bn last year, remains worryingly high.

Remittances from Sri Lankans living abroad help narrow the deficit, but continuing high flows of foreign aid are essential to balance the country's books.

The flow of foreign direct investment has increased but, as the World Bank warned in its 1992 country report, Sri Lanka remains a marginal recipient in world terms.

There are signs that recent economic growth has been consumer- rather than producer-driven. Commercial bank loans to the consumer sectors have grown, while loans to the commercial and industrial sectors have shown a relative decline.

The size and make-up of the government budget is also in urgent need of redress.

The budget deficit has been reduced from almost 16 per cent of GDP in 1988 to a forecast 8.8 per cent of GDP this year, in line with International Monetary Fund targets, but should be lowered still further.

The recent reduction of the deficit has been achieved through a cut in public investment, down from 16 per cent of GDP in 1982 to just 5.7 per cent in 1990, rather than on recurrent expenditure.

Donors have warned that this situation must be reversed if Sri Lanka is to maintain the quality of infrastructure required to attract private investment.

There is, however, strong pressure on recurrent expenditure. As a result of the continuing civil war, the defence budget has risen from 1.3 per cent of GDP in 1983 to 4.1 per cent last year.

In addition, the cost to government of caring for more than 1m people displaced by the conflict amounted to SLRs4.9bn or more than 1 per cent of GDP last year.

Expenditure on social welfare programmes in 1991, deemed essential by some government officials if further civil disruption is to be avoided, amounted to SLRs7.8bn.

With these levels of recurrent expenditure, economists are sceptical whether Sri Lanka can average more than 5.5 per cent GDP growth a year, significantly below its potential.

Despite the best efforts of government technocrats, the civil war remains the decisive factor in the economy.

William Keeling

KEY FACTS

Area .... 62,337 sq km
Population .... 17.2 million (1991 estimate)
Head of State .... President Ranasinghe Premadasa
Currency .... Rupee (SLRs)
Average Exchange Rate .... 1991 $1=SLRs41.37, Aug 1992 $1=SLRs44.1

ECONOMY	1991	Latest*
Total GDP ($bn)	7.6	n.a.
Real GDP growth (%)	4.8	4.5
GDP per capita ($)	527	n.a.
Components of GDP (%)		
Private Consumption	77.1	
Total Investment	23.0	
Government Consumption	10.1	n.a.
Exports	28.3	
Imports	-38.5	
Agriculture as % of GDP	22.8	n.a.
Inflation (% change pa)	12.2	10.8
Reserves minus gold ($m,Dec)	685	822
M1 growth (% pa)	18.0	n.a.
Treasury Bill rate (% pa, avg)	13.75	16.75
Total external debt ($bn, Dec)	6.1	n.a.
Current Account Balance ($m)	-538	-219
Exports ($mn)	2,040	1,070
Imports ($mn)	3,061	1,544
Trade Balance ($mn)	-1,021	-474
Main Trading Partners (1991, % by value)	Exports	Imports
Japan	5.0	11.7
India		7.2
South Korea		7.2
Hong Kong		6.9
USA	27.4	5.7
UK	6.2	5.4
Germany	7.3	
Development indicators	15-20 yrs ago	latest estimate
Dependency ratio**	43.4	37.3
Urban population (% of total)	22.0	21.4
Population growth rate (% pa)	1.6	1.4
Infant mortality rate (per 1000 live births)	43.8	19.4
Adult illiteracy (% aged 15+)	22.4	11.6
Life expectancy (years)	66.0	71.1

* = 1992 figures (Treasury Bill rate: June; Reserves: August; Trade figures: Jan-Jun total; Consumer prices: Q2; GDP growth: Donor estimate for 1992)
** = % of population aged under 14 or over 65

Source:IMF, World Bank, Economist Intelligence Unit.

■ PRIVATISATION

An astute campaign

Other issues dominated the government's agenda, including an election: A victory sign from President Ranasinghe Premadasa

THE government's programme to privatise state-owned enterprises had a slow start after first being mooted in 1987. The programme was born when three other issues dominated the government's agenda: civil war in the north of the country, insurrection in the south and a presidential election in December, 1988.

It took until November, 1989, for the first company, United Motors, to be freed from state ownership. Since then, 21 companies have been divested, raising more than SLRs5bn in revenue. Government officials are confident they can sell off the remaining 40 of those currently on offer by next June.

This may be over-optimistic given the limited resources at the government's disposal to value and market the assets, and to evaluate bids.

The government has also sold off some of the best companies first and may struggle to persuade private investors to take up the serious loss-makers.

As with the privatisation of the plantation and transport sectors, which have been conducted under separate programmes, a rump of unprofitable companies is likely to remain in government hands.

The issue of whether to continue subsidising or to liquidate these companies remains unresolved. The privatisation programme, however, is gathering momentum and most potential pitfalls are behind it.

It has been backed by an astute awareness campaign which, using an ancient fertility symbol as its mascot, has renamed privatisation "peopleisation".

Mr Tissa Jayasinghe, who heads the privatisation programme at the Ministry of Finance, explains that the media campaign was "written in a provocative manner, because we wanted feed-back. We wanted to provoke debate."

One advert detailed the cost, about $500m, of subsidising state companies between 1984-86. "Nobody had really exposed this before. There was a lot of hue and cry," says Mr Jayasinghe.

The privatisation of United Motors, through the sale of 90 per cent of its listed shares to the public, took place against the backdrop of the People's Liberation Front (JVP) insurgency. The remaining 10 per cent holding was split between the company's employees and Mitsubishi of Japan.

The privatisation commission warned that the issue would fail but the government pushed ahead, determined not to allow the insurgency to undermine its economic programme and to fulfil its commitments to international donors.

Underwriters were left holding more than two-thirds of the shares at an issued price of SLRs11 per share. "Banks were crying about it at the time," admits Mr Jayasinghe, and opposition parties called for the programme to be scrapped.

The government's response, now considered by officials to have been a mistake, was to sell the next company, Thulhiriya Textile Mills, to a single buyer, Kabool Spinning and Textile of South Korea.

In commercial terms, the sale was a success. Kabool paid $6m for the company and has since invested a further $20m. One fifth of the 3,000 employees were surplus to requirements when the company was sold, but the workforce has since been expanded to 3,600.

The method of privatisation – selling a company in its entirety to a foreign buyer – was controversial. As Mr Jayasinghe explains, in theory "state enterprises are owned by all the people, and when you divest you must allow people a right to take a share".

The government has now produced a formula which, although flexible, provides a standard for privatisations to follow.

The government aims to sell a majority shareholding, usually 60 per cent, of a company to a corporate investor based on the criteria of price, credentials and future plans for investment.

A 30 per cent tranche of shares is then sold to the public with the aim of creating a broad base of about 35,000 shareholders.

The remaining 10 per cent of shares are distributed to employees on the basis of length of service. With the value of the shares they receive often many times their annual salaries, there has been little employee resistance to privatisation.

The opening up of the stock market to foreign investors, and the imminent arrival of five foreign broking houses in Colombo, should help the government's drive to find investors for forthcoming issues.

The most serious question hanging over the programme is the viability of those companies yet to be sold, some of which carry a heavy burden of debt.

A government policy barring privatised companies from making employees compulsorily redundant is also likely to hamper the sales of the more marginal businesses, especially those which currently enjoy high tariff protection.

William Keeling

■ SEPARATIST WAR

Religious and political roots

THE Sri Lankan civil war, which erupted in 1983 from the long-smouldering volcano of Sinhalese-Tamil ethnic tensions, shows few signs of abating.

The Liberation Tigers of Tamil Eelam (LTTE) continue their guerrilla war in pursuit of an independent Tamil state in the north and east. The government remains firm in denying them that goal. Talks with the Tigers have broken down.

Fourteen months of relative peace, during which the LTTE held negotiations with the newly-elected administration of President Ranasinghe Premadasa, ended abruptly in June 1990 when the Tigers attacked several police stations. The army retaliated fiercely, setting in motion a further period of bloodletting during which as many as 10,000 people have died.

Years of conflict have produced a refugee crisis in which as many as 1.5m people have been "uprooted, displaced or exiled", according to the British Council for Refugees. It is a war which, says Mr Neelan Tiruchelvam, director of the Colombo-based independent Centre for Ethnic Studies, has seen the "progressive brutalisation of all areas of society". Neither the army nor the LTTE, he says, have shown regard for human rights.

In the latest incident, earlier this month, Tigers were reported to have killed about 190 people, largely Moslem civilians, in raids on four villages in the northern Polonnaruwa district.

Civil strife has also stifled economic growth. Military expenditure soaks up about 12 per cent of the budget and foreign investors are wary of committing themselves to a country at war.

The outbreak of fighting in 1990 marked the third stage of the conflict, which first flared up in 1983 after LTTE terrorist attacks provoked a wave of anti-Tamil riots.

The war entered its second phase in 1987 following the signing of the Indo-Sri Lankan accord which drew up the framework for a long-term solution to the Tamil question. The accord, however, rapidly broke down as Indian peace-keeping troops became embroiled in battle with the LTTE.

Tamil Tigers on patrol in Jaffna's main street. Civil strife has also stifled economic growth

Mr Premadasa, after his election as president in December 1988, negotiated the withdrawal of Indian troops and began discussions with the Tigers. The collapse of talks in June 1990 led directly to the third phase of the conflict from which the country shows few signs of emerging.

Since then security forces have prosecuted the war with venom and in recent months have turned their attention to Jaffna peninsula, the Tigers' principal stronghold. Government troops have started to capture rebel-held towns within the peninsula, although officials deny there is any imminent intention to take the regional capital, Jaffna.

The army has been emboldened by India's decision in May to ban the Tigers, held responsible for the assassination of Rajiv Gandhi. India's move has deprived the separatists of their main ally and has helped to stem the flow of weaponry that is smuggled across the Palk Straits which separates Sri Lanka from India.

The LTTE may be down, but it is not out. The army admits to having lost nearly 900 men this year. In August the Tigers scored what was publicly acknowledged as a "devastating blow" when a landmine killed many senior army officers, including Maj-Gen Denzil Kobbekaduwa, military commander of the north. He was widely regarded as a peacemaker, seeking long-term solutions to the crisis.

With the net closing upon them in the north, the Tigers have turned their attention to the east, which represents the biggest obstacle to peace. Moslem Tamils, whom the Tigers feel have betrayed the Tamil cause, have become a particular target.

Tamils constitute only 40 per cent of the eastern province, but the Tigers claim it as part of their ethnic constituency. The LTTE says successive governments have pursued a policy of "colonisation", peopling the east with Sinhalese in order to water down Tamil influence.

The tangled roots of Sri Lanka's civil strife are both religious and political. Sinhalese Buddhists, described by one commentator as a "majority with a minority complex", make up 75 per cent of the population but fear the assertion of Tamil statehood as a threat to Buddhist culture.

The Buddhist clergy in particular, says Mr Tiruchelvam, "believes that its sacred duty is to protect Buddhism in the ocean of Hinduism that is India". The southern Indian state of Tamil Nadu, home to 60m Tamils, is only 20 miles from Sri Lanka.

Tamils, in turn, feel discriminated against, largely in the areas of language and employment. When the British withdrew from the island in 1948, English-speaking Tamils dominated the civil service. However, they soon found themselves subject to pro-Sinhalese laws rendering Sinhala the official language, and introducing a quota system to improve Sinhalese job prospects. Education became largely segregated.

The Sinhalese felt such policies were a means of redressing historical inequities. To the Tamils they were the start of a Sinhalese assault.

Much of this legislation has since been toned down. Tamil is now "an" official language (although Sinhala remains "the" official language) – and a system of provincial councils, aimed at devolving power, has been established. A referendum in the eastern province on potential merger with the north has never gone ahead because of continued fighting.

Caught in this ideological crossfire is President Premadasa who has shown himself willing – at least publicly – to negotiate with the Tigers. His room to manoeuvre is limited. Cede too much and he will antagonise the powerful Buddhist hierarchy. Cede nothing, and he faces the prospect of interminable war.

According to Mr Tiruchelvam, Mr Premadasa – who has effectively already begun his re-election campaign – has little to gain from a swift settlement. "There are no short-term benefits in forging a political solution, as whatever initiatives he made would produce some sort of backlash in the south."

Yielding too much to the Tigers would render him almost unelectable, according to Mr Tiruchelvam. Recent peace proposals put forward by a senior cabinet minister were quickly dropped when it became clear that Sinhalese stalwarts were not prepared to stomach a deal.

There is, says Mr Tiruchelvam, one chink of light. Last August, "for the first time in our history", an all-party parliamentary select committee was set up to put forward peace proposals. The committee provides a forum for talks with moderate Tamil groups, such as the Eelam People's Democratic party and the Tamil United Liberation Front.

Any lasting solution must be forged on an all-party basis. Too often in the past, political parties have whipped up chauvinist fervour for purely short-term electoral gain.

The fact that President Premadasa has not followed India's lead in banning the Tigers leaves open the possibility of future negotiations.

The president has set several preconditions for direct talks with the LTTE, including the demand that they lay down their arms. Prospects of this happening remain slim and so, in the meantime, the fighting continues.

David Pilling

■ EXPORTS

Crucial component

COLOMBO'S attempt to increase and diversify exports is a crucial component of its ambitions to join the league of newly industrialised nations.

Since it took tentative steps towards economic liberalisation in 1977, the aim has been to move away from the traditional mainstays of tea, coconut and rubber towards development driven by value-added exports.

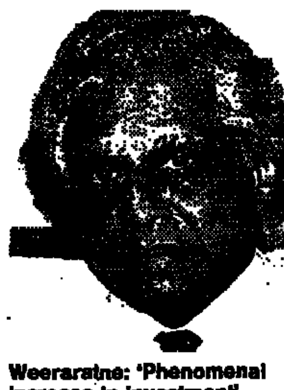
Much has already been achieved. By 1991 industrial goods accounted for about 60 per cent of export earnings, compared with only 33 per cent in 1980. That figure is expected to rise to 65 per cent this year.

The range of value-added goods has also grown. Over the past six years, the catalogue of export items has risen from 60 to about 400, according to government officials. In addition to textiles, exports include chemicals, petroleum products, leather and plastic items, agro-industrial goods, as well as cut gems and diamonds.

There is still plenty to be done, particularly if Sri Lanka is to wean itself from an over-reliance on the textile industry which still accounts for half of manufactured exports. First, it will need to attract more foreign capital, a requirement that has led Colombo to accelerate its programme of investment liberalisation.

To that end President Ranasinghe Premadasa has, in effect, declared the entire island a free trade zone, offering investment incentives to virtually all newcomers. With the exception of strategic industries – such as weapons manufacture – companies setting up export-led businesses will automatically benefit from a package of incentives including tax holidays, access to foreign exchange, duty-free import of equipment and repatriation of profits.

Such benefits were previously restricted to companies established under the auspices of the Greater Colombo Economic Commission (GCEC) which runs Sri Lanka's free trade zones, of which there are now three. The GCEC, set up in 1978 to "spearhead export-led development", marked what Mr Frank Weeraratne, deputy director-general of the commission, calls a "watershed" in economic policy.



Weeraratne: 'Phenomenal increase in investment'

The commission's task was to promote foreign investment, boost exports, provide employment and facilitate a transfer of technology. All were to be achieved by shifting the economy from its "restrictive, highly-regulated system".

Under the latest reforms, GCEC authority has been extended to cover island-wide export-led investments. The GCEC – shortly to be renamed the Board of Investment – will act as a "one-stop shop" for investors, cutting out bureaucratic delays and wooing foreign capital, says Mr Weeraratne.

The extension of incentives is in part a response to the disappointing level of foreign investment which, until last year had not risen above \$40m annually, mainly from other Asian countries.

The latest World Bank country report says these levels of foreign investment should be compared with competitors such as Thailand and Malaysia which, in 1989, attracted inflows of \$1.7bn and \$1.8bn respectively.

The finance ministry is not unduly alarmed by such comparisons. "East Asian investors are traditionally quite wary," says one senior official. "Investment was quite slow to begin with in Thailand and Indonesia as well. But, now we have succeeded in establishing macroeconomic stability and, to a reasonable extent, political stability, we are confident that inflows will improve."

In addition to broadening the incentives available, the scope of projects qualifying for benefits is also being enlarged. Infrastructure, tourism, provincial development and "flagship" companies – with an investment of more than \$50m – are among those qualifying.

The legacy of bureaucracy, however, may be hard to shake off and the GCEC needs to prove itself capable of acting swiftly and efficiently. New incentives are coming in so rapidly that there have been complaints that the GCEC has been applying them inconsistently.

Mr K. Gunaratnam, chairman of the Export Development Board, admits: "We can be inconsistent in the treatment of foreign investors."

Mr Gunaratnam says there is also a public relations battle to be won. Investors must be convinced that the civil war is regional and presents no barrier to conducting business on the rest of the island. The country's advantages, such as a well-educated, "reasonably cheap" labour force as well as its strategic position, should be stressed, he says.

Mr Weeraratne at the GCEC believes the battle is already being won and speaks of a "phenomenal increase in investment". The figures have yet to bear out such unbridled optimism, but foreign interest has undoubtedly been provoked.

The number of GCEC-approved projects has begun to climb, reaching 507 by June 1992. Manufactured exports are outstripping growth in other areas. The value of industrial exports rose from SLRs41.5bn in 1990 to SLRs 50.7bn in 1991 and is expected to reach SLRs66bn this year.

Most encouraging of all are signs that foreign inflows are beginning to rise. Donors estimate that direct investment was \$50m last year (against \$32m in 1990) and will rise to between \$70m and \$120m in 1992.

Given current trends, donors say it is realistic to expect annual inflows of \$300m-\$400m by mid-decade. An end to civil conflict, as in so many areas of the island's economic development, could spur even faster growth.

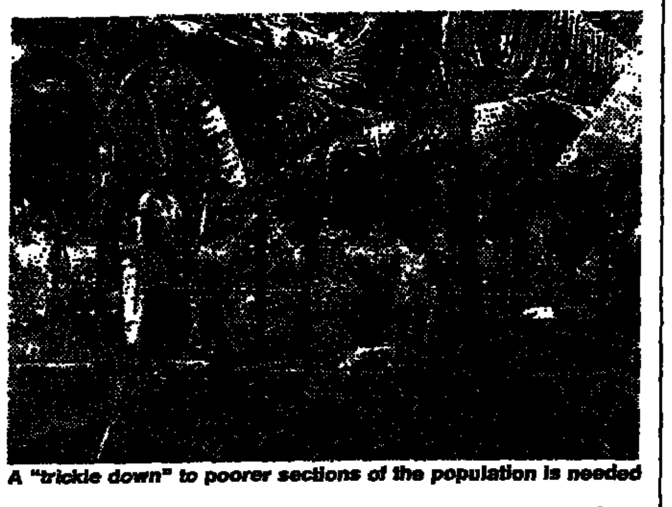
David Pilling

■ BANKING

Who reaps benefits of economic growth?

BANKERS in Colombo express their avid support for the government's liberal economic policies. In the past three years, business has picked up, offices have been refurbished and the freeing of exchange controls has allowed foreign banks to repatriate profits.

Government officials, however, are not so enamoured with the banks and claim they are monopolising the benefits of economic growth. The government has adopted a campaign of moral persuasion to convince banks that, unless the "trickle down" to poorer sections of the population is increased, social unrest may re-emerge.



A "trickle down" to poorer sections of the population is needed

The response from banks has not been encouraging. One executive noted bluntly: "I'm not going to lend on the basis of a threat of insurgency two years down the line".

Sri Lanka is not alone among developing countries in experiencing the rude shock that, upon liberalising the economy, banks prove reluctant to fund the government's social agenda. Despite its frustration, however, the government is unlikely to alter its policy of reducing the state's role in the banking sector.

In the short-term, this will require firm action in restructuring the two state banks and setting a timetable for banks to comply with Bank for International Settlements (BIS) guidelines, particularly on capital adequacy. Sri Lankan banks' capital requirements are based on a percentage of customer deposits, a standard not recognised internationally.

The two state banks, Bank of Ceylon and the People's Bank, account for about 70 per cent of total lending and dominate the industry. But years of mismanagement and political interference have left them undercapitalised and with a large volume of non-performing loans.

Central bank officials will only describe the state banks' capital adequacy ratio (CAR) as "low" and the requirement for new capital as "substantial". Private bankers suggest the two banks have a CAR of about 4 per cent of risk-weighted assets, compared to 8 per cent under BIS guidelines.

The central bank is also reluctant to publicise the state banks' non-performing loans but these may be as high as 30 per cent of their portfolios, according to bankers.

A World Bank plan to split each state bank into two companies – one to take the substantial burden of debt and be slowly run down, the other to emerge as a financially sound and efficient enterprise – was rejected by the government.

This followed concern, government officials say, that the plan would entail the closure of many rural branches and the retrenchment of staff. The government has also ruled out a World Bank suggestion that the two banks be privatised.

"We are not moving towards privatisation. We are moving towards commercialisation – making them commercially viable entities – which may achieve the same result as that of privatisation," explains Mr S. T. Fernando, deputy governor of the central bank.

The private banks in Sri Lanka – 17 foreign and four domestic – are in better shape, although many do not fully recognise their non-performing loans and may need to increase capital to satisfy the BIS.

It remains uncertain when the guidelines will be implemented. A deadline of January 1 next year had been set but government officials now concede the state banks will be unable to meet that date. Central bank rules demand that the guidelines be enforced on all banks simultaneously.

Other weaknesses of the sector include a volatile interbank rate which, due to the dominant role of the two state banks in the interbank market, can vary over 20 percentage points in any one week.

Central bank officials say they would like to see generally lower interest rates. But they add that until a long-term capital market is established, it will be impossible to decide how low a short-term interest rate should be.

Banks currently offer deposit rates of 15-17 per cent and lending rates anywhere from 18-23 per cent, giving a spread on high risk loans of up to 8 per cent. On their dollar offshore accounts, banks are offering around two percentage points above Libor for deposits.

Government treasury bills, of which there are about SLRs75bn outstanding, give about 18 per cent interest – a real interest rate, once inflation is deducted, of 7 per cent. This has led many banks with excess dollars to buy rupees on the interbank market and invest in treasury bills.

Fernando: 'We are moving towards commercialisation'

While the treasury bills have helped to fund the government's budget deficit, their high interest rate has undermined its campaign to persuade banks to lend to the productive sector. As one central bank official notes: "With a risk-free investment providing 18 per cent, why look around for productive investment which carries a risk?"

While the task of restructuring the sector is a big one, the government and central bank have maintained a decent record at tackling important issues. In particular, they have followed an International Monetary Fund prescription of limiting the growth of bank credit.

The banking sector's assets, made up primarily of customer loans, grew from SLRs81bn at the end of 1990, to SLRs102bn last June. In September, the central bank demanded that banks placed with it the rupee equivalent of 13 per cent of onshore foreign currency deposits. This removed SLRs1.3bn from the banking system, tightening the government's control over money supply and reducing banks' ability to lend.

"Banks certainly do feel the pinch of keeping this money sterile here and not earnings interest, but that is part of the game. We have to maintain a certain amount of monetary discipline," says Mr Fernando.

Bankers say, however, that the decision marked the breakdown of an informal dialogue between the central bank and private financial institutions over policy changes.

Central bank officials say it reflected their growing confidence in supervising the economy. Mr Fernando says: "There was no necessity for discussion with the commercial banks, because the central bank was quite convinced it was a decision in the right direction".

William Keeling

■ STOCK EXCHANGE

Long-term potential should soon become clearer

WHEN visiting the Colombo Stock Exchange floor it is advisable to take ear-plugs. Respectably dressed traders compete with each other to secure deals by bawling prices at high decibels. Mr Ravi Peiris, the general manager of the exchange, smiles wryly and says: "The people sent here by brokers tend to have loud voices".

Despite a history stretching back almost 100 years, it is only recently that the stock exchange has come to life. A share market was inaugurated in Colombo in 1896 when companies wishing to finance tea plantations raised funds by offering shares to the public.

The market, however, was characterised by inactivity and was almost destroyed by the nationalisation policy adopted by the 1970-1977 government of Mrs Sirima Bandaranaike.

Even after the election of the United National Party government in 1977, with its espousal of liberal economic policies, the then-titled Colombo Securities Exchange struggled for survival. Mr Peiris admits "awareness was so low, people thought we were providing personal security services".

Since 1990, the government has progressively dismantled a tax structure which had been a disincentive to equity investments. In the past two years a 15 per cent withholding tax on dividends, a 100 per cent tax on the transfer of shares and all capital gains taxes have been removed.

The response has been a surge in daily turnover from just SLRs1.5m in 1989 to SLRs25m this year. Market capitalisation has also jumped from about SLRs18bn in 1989 to more than SLRs80bn last year, although a slide in share values in the past 10 months has seen it decline to about SLRs75bn.

The growth of the market has coincided with a move to computerise the workings of the exchange, starting from the back office.

Whereas the open "out-cry" system of making deals is used on the trading floor, all clearing and settlement is fully automated. The system – which cost just $135,000 and became operational in September 1991 – gives Colombo the technological edge over most emerging markets which still rely on physical transfer of scrips to complete deals.

In the relative peace of his office – the trading floor rumbles in the background – Mr Peiris watches the real-time deals on his computer console. The information is simultaneously transmitted to the 11 licensed brokers and to "retail shops" operated by two leading brokers, where the general public is invited to punt on the market.

However, while Colombo can feel satisfied with the progress made so far, it still ranks among the smallest of the emerging markets.

Only 60 of the 186 listed companies are actively traded and trading volume is so low as to make it difficult for large investors to move in and out of positions rapidly.

There are also signs that domestic enthusiasm is waning and companies have found it increasingly difficult to raise capital through the market.

While SLRs2bn in new issues was raised in the first seven months of the year and rights issues totalling SLRs1.2bn were also launched, underwriters have had to step in with several offers not fully subscribed.

The creation of four unit trusts this year also hurt the equity market. While the trusts can invest in equities, brokers say all but a fraction of their funds have gone into time-deposits and low-risk treasury bills. The trusts, which carry generous tax incentives for investors, attracted SLRs2bn which might otherwise have been placed in equities.

Mrs Sirima Bandaranaike: adopted nationalisation policy

Since last December the Colombo index has fallen by one-fifth in what brokers politely call "a correction". But as Mr Anura Wickremasinghe, director of brokers Forbes and Walker says: "I'm surprised the market didn't collapse. It only dropped 20 per cent. In that context, it's a very strong market."

The longer-term potential of the market should soon become clearer with the imminent arrival of five foreign brokers – Jardine Fleming, Smith New Court, Sasoons, Development Bank of Singapore and Crosby Securities – to compete with the 11 local brokers.

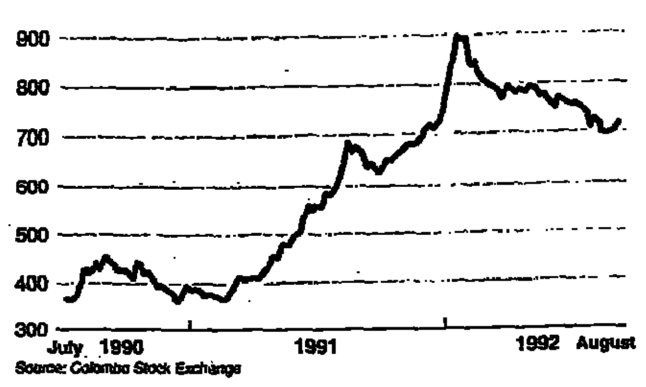
Mr Ajit Gunewardene, managing director of CKN Fund Management, believes foreign brokers will "add value to the market in terms of research. The market needs a new infusion of expertise to expand further".

Leading local brokers hope to maintain a sufficient market share through their network of domestic clients and accept that, without the attention of foreign investors, the market will stagnate.

"We bring a lot of potential buying power for Sri Lankan equities," explains Mr Timothy Beardson, chairman of Crosby Securities (Hong Kong), although he adds that "International institutions are likely to hold back for a year or two" before committing funds to Colombo.

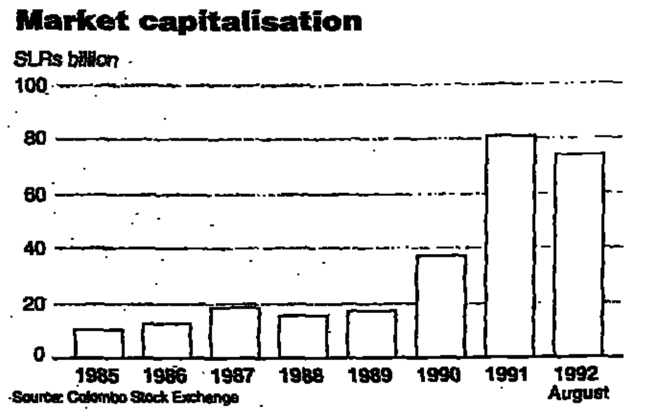
In June the government agreed to allow foreign investors to own 100 per cent of most listed companies and about 25 regional funds run by international financial institutions have started investing in the market.

All share price index



Source: Colombo Stock Exchange

Market capitalisation



Source: Colombo Stock Exchange

The government's privatisation programme should help improve the market's liquidity with its policy of broadening the base of share ownership. The government has divested 21 companies to date (excluding the plantation and transport sectors) and a further 40 are slated for privatisation by next June.

Colombo has also avoided the regulatory scandals suffered by other emerging markets such as Bombay and Jakarta, with strict rules on disclosure.

Brokers are confident they can allay investor's concern over the continuing separatist war in the north and east of the country, so long as national economic growth can be maintained.

Mr Wickremasinghe believes investor familiarity is the key to a market's success. He points to the willingness of US investors to deal in the Manila stock market, which enjoys daily turnover of about $7.5m, despite the Philippines' volatile political record.

Brokers also point to China's stock exchanges which have boomed despite uncertainty over the future direction of the communist government, and to Thailand where political turmoil has led to record trading on the Bangkok bourse.

William Keeling

■ LABOUR AND TRADE UNIONS

Confrontation may be looming

ORGANISED labour in Sri Lanka is once again restive, and confrontation between the traditionally powerful unions and the Premadasa administration cannot be ruled out.

The government has sought to trim the fat from its bloated civil service and wage freezes have begun to affect living standards of lower middle-class public servants.

Last month, a 28-day work-to-rule paralysed Colombo port and many ships were diverted to Singapore. As the costs mounted, the government agreed to negotiate.

The strike was supported by opposition political parties and by the pro-opposition press. Unions rejected offers from shipping agencies of "incentive allowances" for unloading urgent cargo. In the end, the ports authority agreed to talks.

Interestingly the chief negotiator was not the ports authority chairman, but Mr R. Paskaralingam, President Ranasinghe Premadasa's top economic adviser and chief negotiator with international donor agencies.

The government was keen not to have the prospects of economic growth wrecked by union activity.

Colombo port, considered the best in south Asia, has a long history of labour unrest. The port was nationalised in the 1950s, a move that increased the power of unions which soon began to organise wild-cat strikes.

Mr Lee Kuan Yew, former prime minister of Singapore, once said that the economic success of his island state was "largely because of Ceylon's failure". He said that, before that period, Colombo had been known as the "Clapham Junction of the east" (after a busy London railway station), but had wrecked its future through the mishandling of labour and ethnic relations.

The jibe is one with particular potency for the Premadasa administration which is attempting to engineer precisely the type of economic miracle achieved in Singapore.

Recent union unrest has not been an entirely economic affair. Opposition political parties, increasingly desperate after 15 years in the political wilderness, may be tempted to use trade unions as a stick with which to beat the Premadasa administration.

The opposition, led by the Sri Lanka Freedom Party, has a long-standing alliance with the traditional "Marxist" left, which in turn controls many trade unions.

Mr Premadasa, however, has shown himself prepared to negotiate with unions as in the case of state bank employees. The government, seeking to reconstitute the two state banks, chose not to seek outright confrontation, but instead offered a "golden handshake" in order to cut staff. Moreover, the administration stopped short of privatisation, instead choosing to "commercialise" the banks.

And the unions are not wholly bent on confrontation. Replying to private sector critics, Mr Tennekoon Rusiripala, president of the bank employees union, explained: "We appreciate how the political, economic and social environment is changing, and we do not wish to be left behind in the race. Our concept is that trade unions should be essential partners in any dialogue on social progress."

Government handling of organised labour has not always been so deft. In September it was rash enough to introduce an "emergency maintenance of exports" regulation, banning any form of trade union activity in the free trade zones.

The legislation had been introduced in response to foreign investors, now a fast-expanding community, which had requested "protection" from labour unrest. The government miscalculated that it could get away with what were universally described as "draconian" measures.

In the face of strong protest – including outbursts from opposition benches, threats from the unions, and strongly-worded resolutions by human rights groups – the government was forced to back down and withdrew the regulation.

Despite such periodic confrontations between government and unions, last year the amount of labour unrest actually fell. There were about 100 strikes involving 57,000 workers in the private sector, a big improvement in terms of working days lost over 1990.

Such improved labour relations may be hard to maintain. Both the implementation of the IMF programme, as well as the government's aggressive policy of attracting foreign investment, are likely to provoke periodic confrontations between organised labour and the government.

Mervyn de Silva

■ JANASAVIYA PROGRAMME

Tackling poverty

MR Susil Sirivardana, commissioner of the Janasaviya (Poverty Alleviation) Programme, laughed at the suggestion that he was a frustrated revolutionary. After two hours discussing the plight of Sri Lanka's poor and the inequities of its elite, this was a rare moment of light relief.

The Janasaviya programme, with a 1992 budget of SLRs4.9bn, was developed by government in response to the 1987-89 People's Liberation Front (JVP) left-wing insurgency. "The JVP comes from the frustrated, polarised, educated, rural youth," explains Mr Sirivardana, who says that 15 years of liberal economic policy has "produced a polarisation of society and a decline in human development".

In the 1988 election, President Ranasinghe Premadasa ran on a platform of poverty alleviation which promised to "put people first, especially the poor and the poorest of the poor".

Janasaviya is the fulfilment of that promise and in Mr Sirivardana – who participated and was jailed for his part in a JVP-inspired insurrection in 1971 – Mr Premadasa has chosen an emotionally committed administrator.

"With Janasaviya we told the poor 'This is not the old politicised, corrupt, crooked, deal you are revolting against. If you are revolting against social injustice, here you can create justice'," says Mr Sirivardana.

The programme involves almost 350,000 families and provides two forms of government support. The families receive a a monthly entitlement of SLRs1,458 with which to purchase specified consumer goods, such as food and clothing, from co-operatives. In return, each family is asked to put in 20 days of community-related work.

Then, after two years on the programme, families become entitled to a SLRs25,000 Janasaviya Entitlement Certificate. While this is not available as cash, it pays interest of SLRs250 a month and can be pledged to a bank as collateral for a loan.

In 1989, its first year of operation, the programme attracted the ire of the World Bank. In its latest Sri Lanka report, the bank said Janasaviya initially suffered "two major shortcomings... First, it was not well targeted to the poor... Second, the supposed production-orientation of the programme was missing".

Janasaviya has since been restructured. The screening process for deserving families has been improved and the Janasaviya Trust, funded by donors including the World Bank, has been set up to identify civil works projects. These range from crop cultivation to local infrastructure projects.

According to the bank's report, the trust should ensure that "those refusing to participate in a productive activity would be dropped from the programme immediately". Mr Sirivardana recognises that the World Bank views some of the programme's components as welfare and subsidy. "It's not that for us", he says.

He argues that Sri Lanka has suffered adverse domestic effects – a worsening incidence of poverty and a deterioration in health and education services – in its effort to become internationally competitive. "I see it definitely as a policy failure and preventable," he says.

The criticism, which is not new of World Bank-sponsored economic adjustment programmes, is supported by the facts. Between 1981 and 1985, the share of national household income of the poorest third of the population dropped from 15 per cent to 11 per cent, while the richest third grew from 52 per cent to 62 per cent.

In the same period, economists estimate the purchasing power of the poorest third of the population declined by about 10 per cent. In terms of minimum calory requirements, a quarter of Sri Lanka's population remains below the poverty line.

This is despite Sri Lanka's notable achievements in the sectors of health and education. The nation retains probably the highest literacy rate of all developing countries, with about 90 per cent of the population above the age of 10 years officially literate.

Sri Lanka also has an impressive health record with an infant mortality rate of just 19 in 1,000 live births. Almost 90 per cent of children receive standard immunisation.

In part, this is the legacy of the 1950-70 period when, for example, government expenditure on education averaged 5 per cent of gross domestic product (GDP). By the early 1980s it had dropped to 2.3 per cent of GDP.

During the last JVP insurgency, the universities were closed for two years and schools and hospitals were severely disrupted. Mr M. D. Pieris, secretary of the Ministry of Health, explains: "The JVP could, just by rumour or anonymous letter, shut down whole institutions".

Platform of poverty alleviation put people first — Picture: Terry Kirk

The government has since taken steps to reverse the decline and the education budget is currently 3 per cent of GDP. Mr Pieris says the government would spend more if the continuing Tamil conflict were solved and the defence budget reduced. But the most important element of the government's social initiative is the Janasaviya programme, providing a safety net for the country's most disadvantaged.

Janasaviya officials query, however, whether the programme is a short-term holding effort – a political response to the JVP exigency – or if it can become a comprehensive effort to, in Mr Sirivardana's words, "change the social order; empower the poor". Despite his energy and conviction, Mr Sirivardana concedes that the future for Sri Lanka's poor remains dim. He reluctantly accepts that "investment by the poor in itself is insufficient to take them out of the poverty trap.

"You've got to have an active support system" including an effective agricultural extension service, he says. This, he notes, is not in place.

The World Bank's assessment in its report is blunt: "No matter how much emphasis the government puts... in its Janasaviya programme and other policy areas, it will not be possible to eradicate poverty altogether".

The Janasaviya programme, Mr Sirivardana insists, has had important benefits by "generating a great deal of hope among the poor and those who care for them".

But the question he asks – "Are we as a country prepared to live with so many poor?" – remains unanswered.

William Keeling

■ PROFILE: CEYLINCO

A group to be proud of

MR Lalith Kotelawala, chairman of the Ceylinco Group, is one of Sri Lanka's most colourful businessmen. His boardroom walls are hung with pictures of great corporate moments: Mr Kotelawala with Mr Harry Oppenheimer, the South African diamonds magnate; Mr Kotelawala accepting an award from President Ranasinghe Premadasa.

The Ceylinco chairman has reason to be proud of his achievements. The group, which has no holding company, consists of 35 companies, four public, with interests ranging from banking and insurance to tourism and diamond cutting.

With about 7,000 employees, Ceylinco has a turnover of more than SLRs5bn a year.

Mr Kotelawala remembers with bitterness the period 1961-1977 when the government nationalised many of the group's business interests, including insurance and graphite mining.

The government also undertook a policy of import substitution, which led Sri Lanka to produce a profusion of low quality goods.

"You make your own razor blades, which don't cut your beard but cut your face," Mr Kotelawala explains.

He says the government now understands the needs of business and cites as an example his group's investment in hotels which would not have been contemplated except for the generous tax holidays offered by government.

Mr Kotelawala suggests the government should now go further: "Sri Lanka should make itself income tax free".

While many businessmen successfully elude the inefficient tax authorities, they do not invest the undisclosed earnings into the productive sector.

As Mr Kotelawala explains, if such a person "buys shares or puts the money in the bank, he gets exposed and the tax people are after him".

Other corporate executives describe Mr Kotelawala as an astute businessman.

In 1988 the group started Seylan Bank which last year took over the Sri Lankan subsidiary of the disgraced Bank of Credit and Commerce International following its closure, covering fully all BCCI depositors.

Mr Kotelawala says deposits were held by "very poor Sri Lankans who had worked in the Middle East and they would have lost their entire savings". BCCI also owned some prime land in central Colombo on which Ceylinco is planning to build a SLRs600m residential and office complex.

Seylan has, however, been criticised by its competitors who allege it has invested much of its funds in risk-free government securities, instead of on-lending to business sectors. It is a charge Mr Kotelawala strongly denies.

"We have gone into the rural branches, which we wouldn't have done if we were purely profit-oriented". He admits, however, the other banks are "very angry with us. In 3½ years we have outstripped... all the other banks in Sri Lanka".

Mr Kotelawala says the group's success has been built around a forward thinking approach to management. He promotes strictly on merit, so that "on my board of directors, there are people who started as security officers. We have managers who began as messengers".

He says each subsidiary pays 5 per cent of its profits every month as bonuses to employees and claims 15 strike-free years following a decision to set up a group trade union, of which Mr Kotelawala is patron.

William Keeling

■ PROFILE: JOHN KEELS GROUP

Reassuring safeguards

THE John Keels Group is among Sri Lanka's largest. It has expanded rapidly over the past three years.

With its interests ranging from financial services and tourism to fresh mushrooms and processed meat, the pre-tax profits of John Keels Holding, the parent company, have risen from SLRs27m in 1989-90 to SLRs90m in 1991-92.

The group, which had a market capitalisation of SLRs6.25bn at the end of March, has nearly 50 subsidiary companies. The holding company is listed on the Colombo Stock Exchange, as are several of its subsidiaries, with 20 per cent of its shares actively traded.

The company stresses that its corporate rules and structure protect public shareholders' interests.

No private shareholder or any of their immediate family holds more than a 10 per cent stake in the holding company. All employees must retire at the age of 60 and no member of management "shall bring their children into the company. It is an employee-driven company," explains Mr K. Balendra, chairman of John Keels Holding.

In addition, all the unlisted subsidiaries are owned in the name of the parent company and not by individual shareholders.

"There can be no criticism that money is being moved to unlisted companies in the group in which an individual holds a stake," explains Mr Balendra.

Such safeguards are reassuring in Asia, where listed companies have sometimes been used by private majority shareholders as a way of entering the capital market, in order to raise finance for personal business interests.

Critics of John Keels say the group has grown primarily through acquisition and has yet to show it has the available expertise to manage its range of business.

Its last big acquisition was in April 1991 when the group purchased the Whittalls group of companies for SLRs330m, which included two hotels, an insurance company, a printing press, and food and beverage factories.

John Keels says, however, the acquisition has not yet given the returns it was expecting. Instead, the sharp rise in profitability has come from sectors such as tourism which have picked up markedly since 1989 and in which the group has a large exposure.

Over the past three years the pre-tax earnings of the holding company have risen 256 per cent, 88 per cent and 97 per cent. Mr Balendra accepts these were "exceptional figures."

"We're not going to sustain these rates of increase", he says. Instead, he predicts a rise in pre-tax earnings this year of 40 per cent.

William Keeling

'PEOPLISATION' IN SHRI LANKA

"A model for the world"

Bureau for Asia and Privatization , U.S. Government

In 1990, the government owned Thulhiriya Textile Mills was a loss maker. Many of its 3,000 employees were considered 'excess' labour. As part of the Shri Lanka government's privatization programme, this company was sold to a South Korean concern. The results were almost immediate. In the first 11 months of ownership, so dramatic was the turnaround that the new management saw fit to *increase* the company's labour force to 3,600 and invest a further $ 22 million.

Thulhiriya Textile Mills is a typical example of the privatization drive now on in Shri Lanka.

However the concept of 'peoplisation' introduced a new dimension to this programme in that it made employee share ownership and a public share issue compulsory. The peoplisation formula - 60% of the equity to corporate investors, 30% to the public through a share issue and 10% to the employees - *fulfills* the twin objectives of the Premadasa govenment, namely that of achieving a share owning democracy and enabling the expansion and growth of 'peoplised' enterprises.

"It is not the policy of the government to retain even a toehold in any of these enterprises," says Tissa Jayasinghe, Director of Shri Lanka's Peoplisation Programme. "Government commitment is to total divestiture".

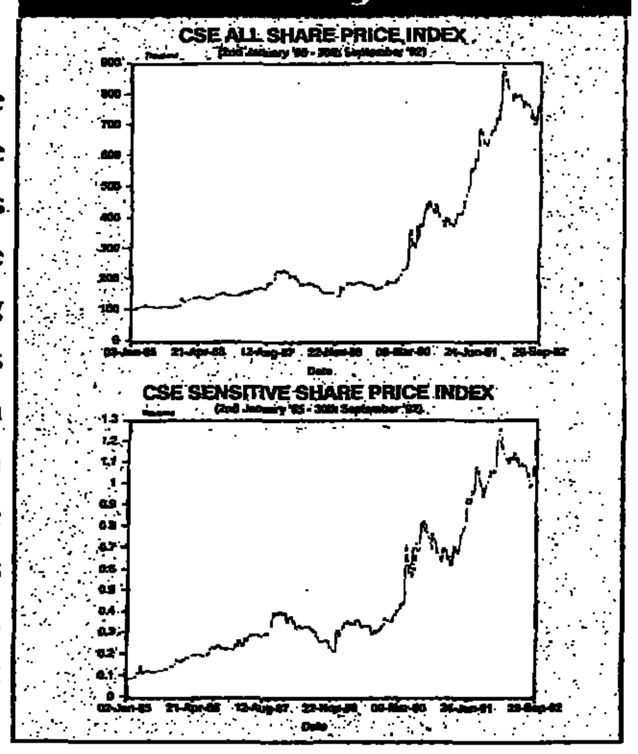
So far, some 20 state enterprises have been at least 60% privatised. They have attracted investors such as Kabool Spinning & Textile Co. of South Korea, Norsk Hydro A.S. of Norway, Noritake Porcelain and Mitsubishi of Japan, to name a few.

Already 17,500 employees are beneficiaries of the government worker-owner plan and on completion of the current programme over 100,000 employees will become shareholders.

Nowhere is the success of the government's peoplisation more evident than in the country's resurgent stock exchange. The spate of peoplisations, and the increasing number of privately held companies going public, has caused a mini-boom in the Shri Lankan stock market. From a mere Rs. 1 million in 1987, the average daily turnover has skyrocketed to over Rs. 15 million, and the CSE All Share Price Index has nearly trebled over the last 2 years.

THE COLOMBO STOCK EXCHANGE

Record gains



PUBLIC ENTERPRISES TO BE 'PEOPLISED'

- Acland Insurance Services Ltd.
- British Ceylon Corporation
- Colombo Commercial Co. (Engineering) Ltd.
- Colombo Commercial Co. (Fertiliser) Ltd.
- Colombo Commercial Company (Teas & Trading) Ltd.
- Mieco Ltd.
- Sathosa Printers Co.
- Ceylon Fertiliser Corporation
- State Trading (Tractor) Corporation
- The Building Materials Corporation
- Ceylon Steel Corporation
- Sri Lanka Cement Corporation (Ruhuna Cement Works)
- State Trading (Textile) Corporation (Salu Sala)
- Lubricant Plant of the Ceylon Petroleum Corporation
- Sevanagala Sugar Industries
- Hingurana Sugar Industries
- Kantalai Sugar Industries
- Sri Lanka State Trading (General) Corporation
- Consolidated Exports & Trading Corporation
- Lanka Canneries Ltd.
- Ceylon Shipping Lines
- Lanka Plywoods Corporation
- Sri Lanka Cashew Corporation
- Sri Lanka Rubber Manufacturers Corporation
- Hotel Ceylon Intercontinental

THE PLANTATION SECTOR

A unique experiment in peoplisation

For over a century Shri Lanka has been renowned for the quality of her tea, rubber and coconut, and for many decades these crops were the mainstay of Shri Lankan exports.

However, since the estates were nationalised in the 70's, the management of these estates became a bureaucracy as managers were assured of a steady salary and had no incentive to show results. By the 80's, mismanagement of this vital resource led to mounting losses. Average yields were less than half of those in new producing countries such as Kenya.

Now for the first time since land reform, the private sector has access to the resources of the country's plantations. That's over 150,000 hectares of prime land, and a combined labour force of over 250,000 people.

Access, however, does not mean ownership. On that the government is very clear. Which is what makes the peoplisation of the plantation sector a unique exercise.

All the plantations formerly managed by the state are now managed by privately held Shri Lankan companies. The ownership of the land has been vested in 22 government owned companies created specifically for this purpose. Management contracts have been awarded to the Shri Lankan private sector's largest blue-chip companies. They receive a percentage of profits as a management fee.

The Government has given the companies concerned a free hand and the private sector sees immense growth possibilities that have been, as yet, untapped. Large-scale fruit and vegetable cultivation, mining of precious gems, finished rubber products and fertiliser are but a few.

With the success of this unique experiment, Shri Lanka has not only added an imaginative element to the concept of privatisation but also provided a model for the world.

For information, contact: Tissa Jayasinghe, Director, Commercialisation Division, Ministry of Finance, Galle Face Secretariat, Colombo 1. Tel: (491) 24647, Fax: (941) 421-474.

■ TOURISM

Growth continues despite conflict

TO have one civil war may be considered unfortunate, but to have two is inexcusable. This seemed to be the view of international tourists who, having tentatively placed Sri Lanka on the map during the 1970s, promptly removed it as the island gained a reputation for bloody civil strife.

Tourist arrivals had grown rapidly in the 1970s to a peak of 407,000 in 1982. Annual growth was running at an average 24 per cent from 1976-1982.

The outbreak in 1983 of government hostilities with the Tamil Tigers quashed hopes of further expansion. Arrivals dropped dramatically, even more so when violence – previously confined largely to the north and east – erupted in the south with the attempted insurrection of the People's Liberation Front (JVP).

By 1987, the number of visitors had dropped to a mere 180,000, a level from which it failed to recover in 1988 and 1989. Discounting was so fierce that a night in a five-star hotel was being offered for as little as $7.

Few would have predicted the impressive upturn witnessed since then. Boosted by the virtual annihilation of the JVP in the south and by the temporary halt of fighting with the Tigers, the number of visitors began to grow, reaching 317,000 in 1991. This marked an increase of 6.7 per cent over the previous year, bucking the world trend in tourism which was hit hard by recession and the Gulf war.

Growth continued in spite of the renewed outbreak in June 1990 of fighting in the north and east – out of bounds to tourists – as Sri Lankan authorities gradually persuaded the international industry that most of the island remained safe.

In terms of foreign exchange earnings, growth has been even more satisfactory with receipts of $155.6m in 1991; some 17.4 per cent over 1990.

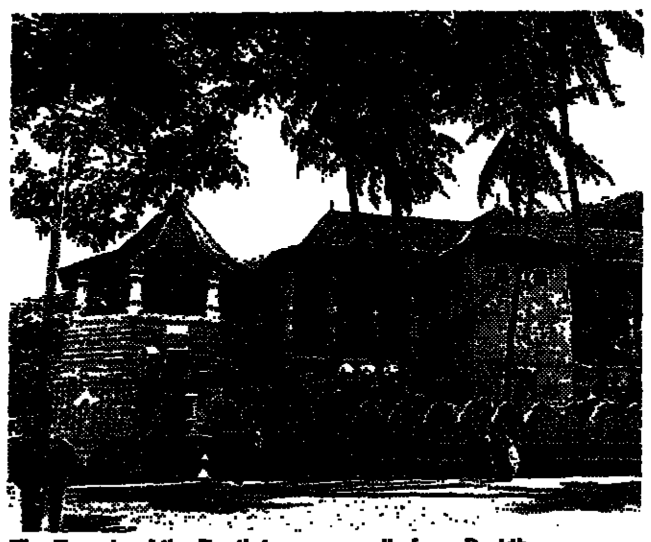
That trend seems likely to continue and even accelerate. Arrivals in the first eight months of this year are 27.7 per cent up on the same period in 1991, according to figures from the Ceylon Tourist Board. The board estimates that total arrivals for 1992 will be at least 380,000.

The government, says Mr N. U. Yasapala, director-general of the tourist board, is keen to promote the sector both for its foreign exchange earnings and for its ability to provide employment. According to the central bank, tourism in 1991 accounted for 64,800 jobs – 27,000 directly and 37,800 in ancillary sectors.

Keen to capitalise on such benefits, the government has commissioned a 10-year tourist "masterplan" drawn up with the help of Horwath Consulting of the UK. The plan, a draft of which is due to be published in November, sets a target of 874,000 air arrivals by the year 2001 – more than double the 1982 peak.

Mr Martin Gerty, director of Horwath Consulting, says the plan calls for the upgrading of existing hotels, the development of more up-market resorts, and the improvement of facilities around cultural sites which need to be more "visitor friendly". Mr Gerty says such infrastructure was severely run down in the 1980s, but he thinks it remarkable that it was maintained at all.

Kandy: An expanded tourist sector might have a negative environmental impact Pictures: Terry Kirk



The Temple of the Tooth houses a relic from Buddha

A Hindu temple in Colombo

There may also be the need for additional airport facilities to those at Colombo's international airport because aircraft unable to land during bad weather are presently redirected to Madras in southern India. One possibility is development of the military airfield at Hingurakgoda on the east of the island, particularly if ethnic tensions subside.

Such ambitious plans for tourism, especially at a time of budgetary constraints, will require substantial private sector investment. The government has accordingly extended tax incentives already enjoyed by export-driven companies to investors in tourist infrastructure.

Some local observers feel such incentives have been too generous, allowing already profitable concerns to avoid tax. Mr S. T. Fernando, deputy governor of the central bank, counters that new investment must be encouraged following the collapse of tourism in the mid-1980s.

Some 25 projects are being considered, worth an estimated total of $120m. These would add 2,350 graded rooms to the island's stock which now stands at 9,680 – 18,950 beds.

Obstacles to growth remain. Most immediate is increasing anxiety among certain groups that an expanded tourist sector would have a negative cultural and environmental impact. There is concern that more tourists would encourage drugs and prostitution – there are already an estimated 800 people infected with the HIV virus – and that hotels will monopolise resources such as land, power and water.

The government was recently forced to abandon plans for a showcase $40m holiday complex at Chilaw on the west coast because of protests by the Roman Catholic Church. The Buddhist clergy, an extremely powerful political force, is threatening the future of other schemes.

Mr Gerty feels that such protests can be dissipated by outlining some of the sector's potential benefits, such as employment. Tourism will, he says, have limited environmental impact as resorts will not be permitted to sprout up piecemeal but will be strictly controlled according to a planned development strategy.

Another obstacle to growth may be Sri Lanka's over-reliance on certain key markets. Western Europe makes up more than 60 per cent of total tourist traffic, with Germany, France, the UK and Italy representing nearly 80 per cent of that share. North America provides a paltry 3 per cent of arrivals. Fashions change quickly and the "discovery" of a new long-haul destination could jeopardise Colombo's plans.

The most serious question mark, however, remains Sri Lanka's international reputation. Despite recent evidence that Colombo is winning the public relations battle in reassuring the public of the island's safety, international confidence remains fragile. If, on the other hand, the civil war ends, prospects for growth would be excellent and the potential for achieving a million visitors annually would become realistic.

Assuming, however, that civil strife staggers on, it would only take a few well-publicised incidents of violence or a period of political instability for the country's tarnished image to resurface. That would effectively end the growth of the past few years and Sri Lanka would return to the backwaters of the tourist industry.

David Pilling

■ INFRASTRUCTURE

Networks need to be expanded

IF Sri Lanka is to maintain the impressive levels of growth achieved over the past few years, it will have to expand its communications and power networks.

As things stand, roads, telecommunications and power supply are, at best, adequate. They will rapidly become overburdened if the economy continues to grow at current rates.

The government, says Mr Akiel Mohamed, power and energy secretary, is well aware of the need to develop the nation's infrastructure. It is, for example, keen to expand electricity supply and diversify from hydro-power, which can be erratic.

Of Sri Lanka's 1,250MW installed capacity, about 1,000MW is hydro-power. Severe drought earlier this year drastically cut supplies, forcing the government to impose a 25 per cent surcharge on electricity. Some manufacturers were forced to cut production.

"Hydro-power cannot meet the demands of foreign industry, so it is exactly with that in mind that we are pushing for the expansion of thermal generation," says Mr Mohamed.

Central to Colombo's plans is a proposed 300MW coal-powered station in Trincomalee, a deep-water port in the strife-torn eastern province. A feasibility study was prepared in the 1980s and five consortia have recently been shortlisted. The government hopes the power station will be operational by 1996.

The consortium, due to be chosen at the start of 1993, will be expected to build the $450m power station on a build-operate-transfer (BOT) or a build-own-operate (BOO) basis. It would sell electricity to the national grid – for a fixed period under the BOT arrangement and indefinitely under BOO.

"We hope in future to have all our thermal generation funded by the private sector," says Mr Mohamed. He admits it might be more difficult to persuade private companies to fund hydro-power which requires huge initial investment.

Mr Mohamed says he is not concerned about terrorist attacks on the planned power station in Trincomalee, a city often targeted by the Tigers. But he concedes that terrorists could attack the supply line which will feed electricity from the station into the national grid.

This presents a serious disincentive to foreign companies to invest, but donors are believed to have expressed willingness to fund an insurance policy that would cover sabotage.

The government's decision to build infrastructure in the east is part of its "hearts and minds" policy to win support through economic development. Plans are also being considered to build a second international airport in the region, at Hingurakgoda.

The overall aim in the power sector is to build up installed capacity to 2,200MW by the year 2000, a level that would easily meet the expected annual 7 per cent growth in demand. Contingency plans could accommodate increased electricity requirements of up to 14 per cent a year, says Mr Mohamed.

The government, although keen to shift the emphasis to thermal generation, hopes to build several mini-hydro schemes of up to 5MW to service agricultural estates. Initial outlays would not be excessive and the private sector could become involved. There are no immediate plans to privatise the national grid.

There are also ambitious proposals to upgrade and expand other areas of infrastructure, not least in the field of telecommunications which is undergoing rapid change.

Over the past few years the existing network has been overhauled and 70 per cent of the exchange capacity connected to an integrated digital system. The once highly erratic system is becoming far more dependable.

Direct international dialling, introduced in 1980, is available to 85 countries. A new international exchange and a satellite earth station are to be installed by the end of the year as part of a $41m scheme financed by the Asian Development Bank.

There are still, however, far too few telephones. In 1991 state-owned Sri Lanka Telecom operated 175,000 lines including extensions, only 1.1 telephones per 100 people. There is a waiting list of more than 60,000 and customers say it can take up to 1½ years to have a phone installed. Demand is forecast to reach more than 500,000 by 1995.

Sri Lanka Telecom intends to install 200,000 more lines by the end of 1993 and has invited foreign companies to submit joint venture proposals.

Interest has already been shown by American Telephone and Telegraph (AT&T) of the US and by companies from Singapore, Korea, and New Zealand, according to Mr Asoka Gunasekera, posts and telecommunications secretary.

World Bank funding of $57m has been secured to increase exchange capacity in Colombo and between some of the island's principal cities.

Deregulation is already under way. Licences for value-added services such as cellular telephones and electronic mail have been issued to private companies. As an initial step to transferring the telephone system to private ownership, Sri Lanka Telecom, a state-sponsored corporation, took over administration of the network from the telecommunications department last year.

The government is also keen to encourage private sector participation in the road network. It is planning to build a parallel road between Colombo and Katunayake airport, as well as between the capital and Galle in the south.

All "A" class roads radiating from Colombo are currently being upgraded with assistance from the World Bank and the ADB.

Finally, the government is keen to expand the capacity of its ports and develop the island's potential as a trans-shipment route and centre for shipbuilding and repair.

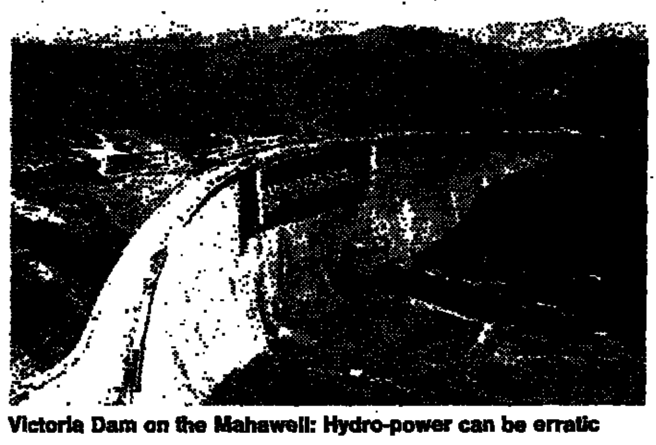
Lloyd's List earlier this year ranked the port of Colombo as the best in south Asia and among the best 25 in the world. Colombo, which is extending its container facilities, handled more than 10m tons of cargo last year.

The best natural harbour in Asia is at Trincomalee, but its commercial potential has not been properly exploited because of the security situation in the east.

Sri Lanka's ability to deliver adequate infrastructure to foreign companies will be of key importance in its bid to reach the status of newly industrialised nation. A good transport network – capable of moving large quantities of goods from the interior to ports and airports – will also be vital in the development of the country's export base.

State funds are in short supply. The response of the private sector will be crucial in the years ahead.

David Pilling



Victoria Dam on the Mahawell: Hydro-power can be erratic

■ POLITICS

Long tradition of democracy

YEARS of civil conflict have put Sri Lanka's democratic system under severe strain, but the country has somehow managed to maintain the integrity of civilian rule.

Sri Lanka has a long democratic tradition, with the introduction of universal suffrage in 1931 when the country was still a British colony.

Under the 1978 constitution, the president carries considerable authority within government and over the 225-seat parliament. He can hold any cabinet portfolio and has the power to dismiss ministers or parliament at will.

In spite of such far-reaching powers, President Ranasinghe Premadasa has had to fight off two assaults on his authority since being elected in December 1988.

Last year, the main opposition Sri Lanka Freedom Party (SLFP) and a faction within the ruling United National Party combined in an attempt to impeach Mr Premadasa on 24 accounts of alleged abuse of power. The impeachment failed, as did a move by the SLFP to annul the results of the 1988 national elections.

The moves underlined Mr Premadasa's status as an "outsider" in modern Sri Lankan politics. All elected presidents and prime ministers since independence have been products of elite Colombo schools except for Mr Premadasa.

The president, a deeply religious, orthodox Buddhist, reacts to the jibes of Sri Lanka's elite with a self-assured disdain.

He was born from the same underprivileged section of society from which the People's Liberation Front (JVP) insurgents garnered their support.

The failure of the impeachment has strengthened the president's political position

Perhaps for this reason, there is a belief that Mr Premadasa, who played a key role in crushing the 1986-89 JVP insurgency, was chosen to lead the UNP merely to meet the needs of the hour.

The president has said as much. Of the attempt to impeach him, Mr Premadasa told a visiting European human rights team that his predicament was best understood in terms of Sinhalese cooking. To flavour rice, cooks place a leaf called *rumpay* in the rice; once it is ready, the *rumpay* is thrown away. Mr Premadasa is not likely to be so easily discarded.

The failure of the impeachment has strengthened the president's political position. The SLFP, the main Sinhalese opposition, has meanwhile turned increasingly to internecine fighting.

Mrs Sirima Bandaranaike, former prime minister and SLFP leader, has suffered a recent illness and is a ghost of her former self. Two of her children are now fighting for political control of the party.

Ms Chandrika Kumaranatunge, Mrs Bandaranaike's daughter, is the widow of movie-star politician, Mr Vijay Kumaranatunge, the assassinated leader of the Sri Lanka People's Party.

Her younger brother is Mr Anura Bandaranaike, London-educated, moderate and a parliamentarian through and through. He made an able opposition leader in the years when his mother was out of politics, stripped of her civic rights by former President Jayawardene after the UNP 1977 election victory.

"The people... seem to trust and respect certain families that have served them well in the past," says Mr Bandaranaike, but he admits to a running dispute with his mother.

"My complaint is that she hasn't held an election in the party for well over a decade. How can we demand the full restoration of democracy from the Premadasa regime when we do not practise democracy in our own party?" he asks.

His mother disagrees: "Anura is in too much of a hurry. He is being used by a dangerous element that has infiltrated the party."

This is a reference to the "Hela Uramaya", a caucus of about 25 MPs in the SLFP's 67-strong parliamentary group. The group resists any serious offer of devolution to the Tamils in the north and east, the only possible basis for an end to the war.

There are also a number of minor opposition parties, both Sinhalese, Tamil and religious.

The island's newest party, the Democratic United National Front (DUNF), is a breakaway faction of the ruling UNP formed from 13 MPs, including three former ministers expelled for alleged involvement in the attempted impeachment.

The DUNF is still not clear on tactical choices. If it fields its own candidate at the 1994 presidential polls, it could help the SLFP to offer a serious challenge to Mr Premadasa.

The CWC has three seats in parliament, but can deliver 300,000-400,000 votes in a presidential contest

The Supreme Court order rejecting Mrs Bandaranaike's petition to annul the 1988 polls wrecked the calculations of both the SLFP and the DUNF, which were hoping for presidential and parliamentary elections by next January.

There are also four small Sinhalese parties, with a history of Marxist affiliation, grouped under the United Socialist Alliance banner. On a good day the socialists can round up 13 MPs.

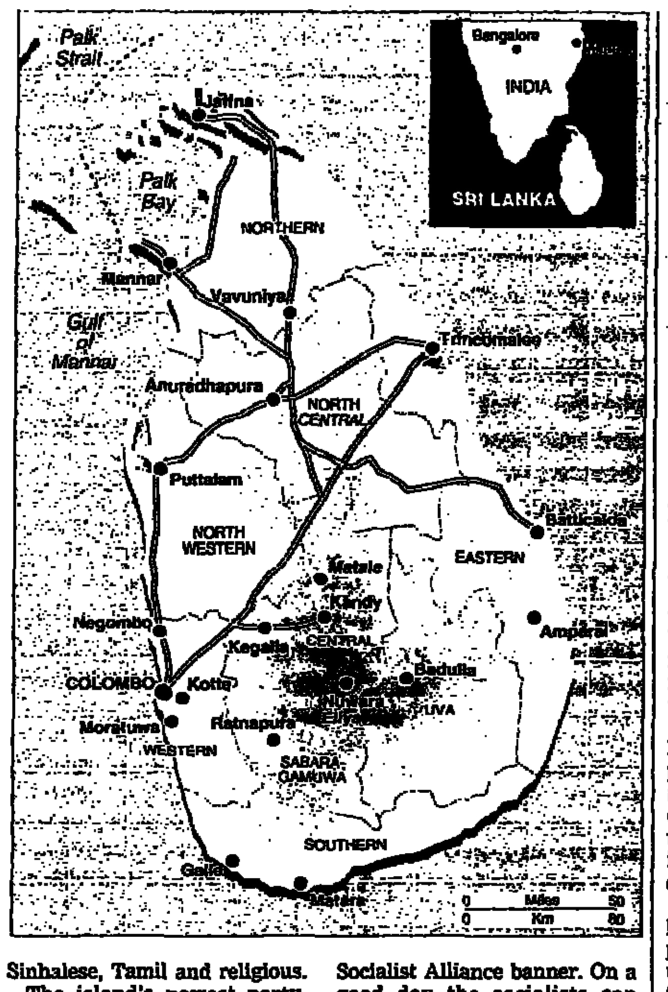
Although the Liberation Tigers of Tamil Eelam are barred from official politics, there are several influential Tamil parties in parliament.

Distinct from the Tamil communities in the north and east provinces are those Tamils concentrated in the plantations of the central highlands. They are identified as "Indian" Tamils, descendants of the labour brought from south India by British tea companies last century.

Their trade union, the Ceylon Workers Congress, is the island's largest union, founded and still led by Mr S. Thondaman, minister of tourism. The CWC has three seats in parliament, but can deliver 300,000-400,000 votes in a presidential contest. It thus remains a decisive voting block.

There is also the Eelam Revolutionary Organisation of Students which has 13 seats. Its MPs are hardly seen in parliament, largely because the party has close ties with the Tigers.

Mervyn de Silva



■ TEXTILES INDUSTRY

Plenty of potential for expansion

NOT content with the steady income he earns from practising law, Mr Tilak Gunawardana has turned his hand to designing pillow cases and bedspreads. He sends his designs to a team of young women scattered around the country who, working from home, produce samples to be displayed at international trade fairs.

Mr Gunawardana's export turnover was a modest $14,000 last year, but he is keen to tap into what he believes is an industry with plenty of potential for expansion.

Clothing and textiles, Sri Lanka's star export over the past decade, accounts for more than half of manufactured export earnings. Growth remains strong. Last year earnings were about $850m; a 27 per cent rise on 1990.

However, structural problems remain. Most local fabric, produced on narrow looms, is unsuitable for clothing manufacturers, necessitating the import of cloth. About 75 per cent of gross earnings are spent on importing fabric, buttons and zippers.

Mr David Thurairajah, consultant to the Apparel Exporters Association, believes the development of a domestic fabrics industry is crucial to the continued success of the garment sector. "Our main competitors are Bangladesh and Vietnam, which both have an abundant supply of low-cost labour," he says. "Therefore we must develop an indigenous fabrics base to make sure our prices remain competitive."

The government started a programme of "backward integration" in 1990, using tax incentives to encourage the establishment of high-quality textile mills. Since then 15 mills have been set up. They now produce nearly 50m sq m of the 300m sq m the country requires.

Mr Thurairajah believes that Sri Lanka will have the capacity to produce most of the fabric needed within the next five years, boosting the industry's net foreign exchange gain from 25 per cent to 75 per cent.

"Prospects for the industry are good, as long as we are not dependent on imports," he says.

Indeed, the government is basing much of its hope for economic growth on the sector. Earlier this year President Ranasinghe Premadasa launched a drive to set up 200 garment factories in rural areas, a move intended to boost exports and provide employment for up to 100,000 people.

"The main object," according to Mr Thurairajah, "is the industrialisation of undeveloped areas to provide employment for the poorest of the poor."

Significant pressure has been put on established garment companies to set up parallel factories in the countryside. Banks have been encouraged to help with financing.

Companies that set up rural factories will be exempt from corporate tax and will be given access to lucrative EC and US textile quotas. Accusations of "arm-twisting" have been heard in some quarters.

No new garment factories are to be set up in the free trade zones. In 1990, some 67 per cent of gross export earnings in the zones derived from the textile, garment and leather industries, leading to fears of saturation.

The establishment of rural factories is an important element of the government's strategy of "industry at the periphery". The Premadasa administration is highly sensitive to the build-up of rural resentment which contributed to left-wing uprisings in 1971 and 1987-89.

"The aim is to have balanced development," according to a senior government official. "The rural sector was suffering from unemployment and it would be too costly to bring everyone to the capital. Setting up factories in the countryside is a way of taking the weight off Colombo's infrastructure. There is no compulsion. What we are trying to do is to give incentives."

A finance ministry official admits: "The incentives *are* some form of compulsion. A classic failure of market forces is the tendency for industry to concentrate on urban centres."

Of the 200 garment factories that are supposed to be operational by the end of the year, 73 are being built with eight already in production. Government officials admit that only half the target will be reached.

On the whole, Sri Lanka remains an attractive country for foreign textile companies. Hong Kong-based Unisouth Holdings is just one company relocating its factory there. The advantages, according to a local representative, are generous tax incentives and a well-educated labour force. Wages for a semi-skilled worker in Sri Lanka are about $40-$45 a month, nearly 10 times cheaper than equivalent labour in Hong Kong.

In the longer-term, however, most observers feel that Sri Lanka needs to move away from the cheaper end of the market to the production of more expensive items. "We havn't yet developed the necessary skills to manufacture high-quality articles of clothing," admits Mr Thurairajah. "But we are gradually moving upmarket."

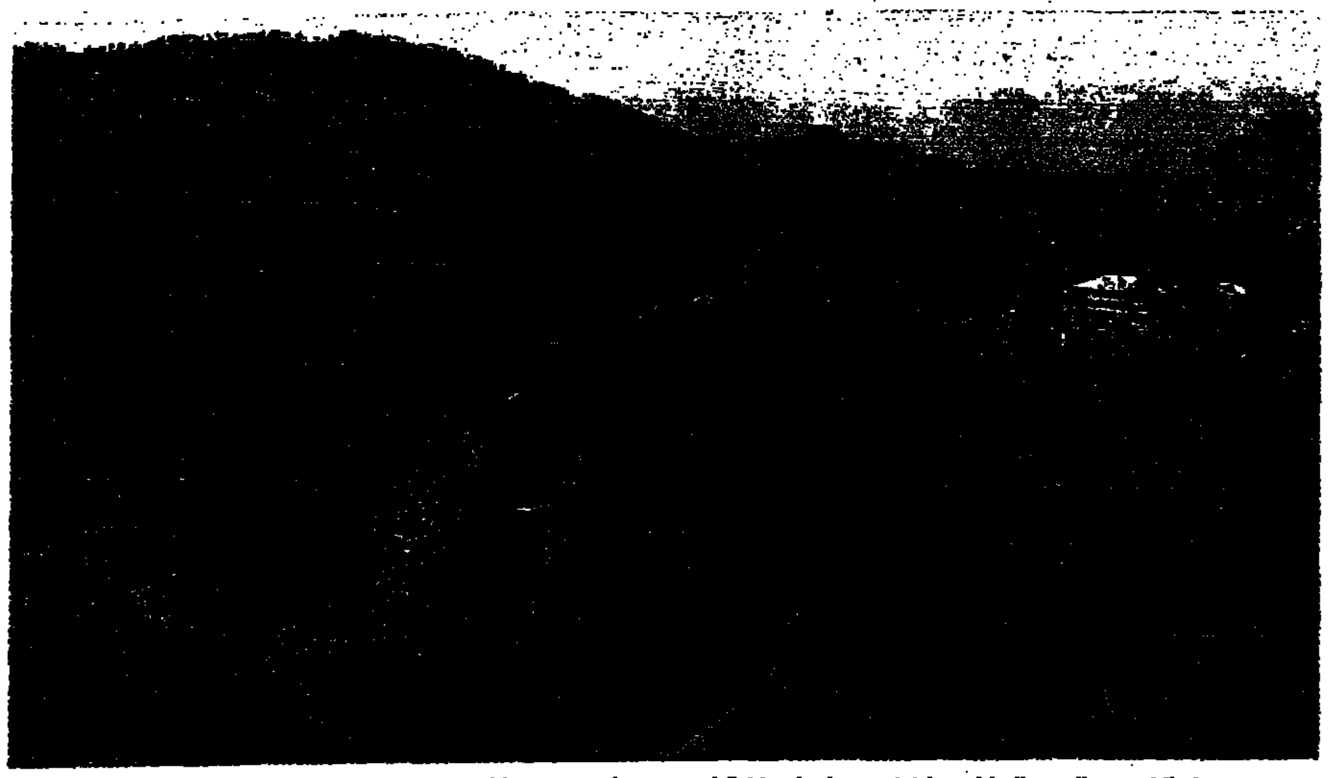
Ms Monika Kinzebach, a designer on a German-funded project to advise Sri Lanka's textiles industry, agrees that the country needs to move upmarket. "Sri Lanka has the potential to develop its textile exports because things can be produced here that would be too expensive to make in Europe. But, at the moment, there is a lack of knowledge of the international market and they are using designs that are difficult to sell."

Mr Gunawardana, meanwhile, is working on ambitious plans for new ranges to market in the trade fairs of Europe and Japan. He feels he may be on the verge of big things. However, he is not giving up his legal practice just yet.

David Pilling

■ THE TEA INDUSTRY

Difficult year for reforms



Tea remains the country's highest net earner of foreign exchange and Sri Lanka has outstripped India as the world's top exporter

From a distance the squat tea-processing factory in the hills above Kandy looks fully functional. But close up one discovers bolts across its doors and windows and it rapidly becomes apparent that the machinery has long lain idle and the plant been left to fall into disrepair.

The factory serves as a useful analogy for Sri Lanka's tea industry as a whole, which superficially appears to be in a healthy state. Tea remains the country's highest net earner of foreign exchange and Sri Lanka has outstripped India as the world's top exporter.

Last year it produced a record crop of 240m kg, although severe drought earlier this year will hit 1992 production hard.

Look more closely, though, and the picture becomes less rosy. Sri Lankan yields are extremely low, averaging 1,100 kg a hectare, according to local tea broker Forbes and Walker. This compares with yields of about 1,700 kg/ha in India and more than 2,000 kg in Kenya.

Far from being a money-spinner, tea has been a tremendous drain on the treasury. The two state corporations that have run the estates for the past 17 years have received estimated subsidies to the tune of SLRs400m a month. Since 1980 the Sri Lanka State Plantation Corporation has recorded profits in only five years, and the Janatha Estates Development Board in only two.

Most observers blame such poor performance on the nationalisation in 1975 of the largest estates under the populist government of Mrs Sirima Bandaranaike. Before this, total plantation produce accounted for about 70 per cent of foreign exchange earnings, a figure that had dropped to below 30 per cent by last year. That partly reflects the diversification of the country's export base, but is also the result of state mismanagement, corruption and political interference in the running of the estates.

Replanting of high-yielding tea varieties has been sporadic – with only 24 per cent completed by 1990 – and the unwieldly state corporations have been ponderous in their response to changing international markets.

Sri Lanka continues to produce predominantly orthodox teas, with only 3 per cent CTC (cut, tear and curl) production, even though demand has shifted markedly to the latter which now accounts for 68 per cent of the world market. Factories have been slow to install the necessary machinery and much of the original equipment has not been replaced since the turn of the century.

The need to rationalise the entire sector has led the government to swallow hard and take the controversial decision of placing the estates under private management. Of the country's 502 estates, 449 were regrouped into 22 enterprises, the management contracts for which were put out to tender. The remaining 53 estates were considered too run down to be offered to the private sector.

Mr Maxwell Fernando, a consultant at Forbes and Walker, is confident that private managers can turn the industry around. The estates, he says, are "being privatised not for the kind of ideological reasons that led to their nationalisation in the first instance, but for pragmatic reasons of productivity and viability."

Mr Fernando believes new management teams can reduce costs, which he describes as "the highest in the world", and raise productivity. "There was absolutely no financial control in the state management days. Let's hope things will now change."

He also hopes that managers will be more responsive to markets now that "the shackles of bureaucracy have been removed". CTC production should increase and there may be moves to enter niche markets such as scented teas.

Management contracts will run for an initial five years and will be extended if performance is satisfactory. The new companies, which are expected to absorb any operating losses, are to be paid on a profit-sharing basis, with 10 per cent of profits to be given to the workforce. The government is to remain in control of hiring and firing, leading to concern that political manipulation may continue.

Mr Fernando admits that the nature of the management contracts "raises the danger that they will fall prey to short-termism", a tendency that has long hampered the industry. He believes, however, that management teams are merely a stage towards fully fledged privatisation, a view privately shared by senior government officials.

The World Bank is more critical. The contracts drawn up with the management companies are unlikely to "provide the incentives for adequate investment and longer-run profit maximisation that would come from private ownership", it says in its latest country report.

Labour relations remain highly sensitive, given Sri Lanka's ethnic tensions and the fact that 90 per cent of plantation workers are Indian Tamils, brought in by British planters last century. Analysts say plantations are heavily overstaffed and that certain working practices are inefficient. The government admits that the strength of plantation worker unions has caused it to tread cautiously.

The implication is that, given a free hand, private companies might cut the workforce substantially. There may be a possibility, however, of redeploying workers as estate crops are diversified into such areas as cut flowers, fruit and vegetables.

The preponderance of Indian Tamil labour has already led to a watering down of privatisation proposals. When Indian tea companies – hit by loss of production in strife-torn Assam – bid for the management contracts, deep-rooted Sinhalese fears of Indian domination were stirred. The government intervened, restricting bids to nominally Sri Lankan companies.

Sri Lanka could not have chosen a more difficult year in which to implement such reforms. The four-month drought has already cut production drastically and Forbes and Walker is predicting a total crop for 1992 of about 180m kg, some 23 per cent down on last year. Higher prices may help to compensate.

Despite such difficulties, many of the new management teams believe they can move into profit relatively quickly. "I'm fairly confident that we can turn it around in 1½ years," says a chief director of one company.

He feels that productivity can be raised substantially simply by reversing the neglect of the past 15 years. Of this period, he says: "Mismanagement is an understatement. There was no management at all."

David Pilling

■ AGRICULTURE

Still a central element of the economy

FROM the air, much of Sri Lanka resembles a verdant, Miltonian paradise. On the ground, even next to Colombo's airport road which is often choked with traffic, plant life vies for space and monsoon rains drip off the coconut palms.

For all the government's emphasis on industrialisation, agriculture remains a central element of Sri Lanka's economy. The sector accounts for 24 per cent of the nation's GDP and more than 30 per cent of exports. Some 2.2m people are directly employed in agriculture which remains an important source of income for 70 per cent of the population.

However, the picture is changing and the importance of agriculture has declined significantly over recent years. In the early 1970s, the three principal export crops of tea, rubber and coconut comprised about 70 per cent of foreign earnings. But, as emphasis has shifted towards manufactured exports, earnings from plantation produce dropped to below 30 per cent. Textiles have overtaken tea as the island's principal export.

As Sri Lanka has moved towards an open economy and emphasised export-led development, donors have expressed concern that the government does not have a clear agricultural policy. The World Bank's latest country report says: "Recently, the amount of attention agriculture, particularly the non-tree crop sector, has received from policy makers has been limited to fragmented and piecemeal discussions at project level."

Some thought has been given to reform of the tea estates, which for too long have been poorly managed and a burden on the treasury. But little has been done to arrest the continued decline of the other two tree crops – rubber and coconut. Exports of these have steadily fallen behind Sri Lanka's main international competitors.

Last year production of rubber fell to 104m kg, the lowest level since 1962. The area under cultivation has declined and replanting by estates and smallholders alike has been at best sporadic. The performance of coconut has varied with fluctuating prices and weather conditions, but insufficient replanting has also affected yields.

In recent years, more emphasis has been placed on the development of minor export crops. These are often cultivated as mixed crops on small patches of land, thereby limiting the government's influence over production. Crops such as coffee, cocoa, cinnamon, cardamom, mace, pepper, chilles, cloves and citronella are grown on a relatively small scale, but together account for some 4 per cent of total exports.

There has also been a move to encourage the export of cut flowers and perishable fruits and vegetables, especially to the Maldives and the Middle East. Sales of cut flowers have been impressive, but the island's infrastructure has proved inadequate to cope with the large-scale export of fruit and vegetables. Traders report that produce, battered about in unrefrigerated lorries on poor-quality roads, often arrives in Colombo in a damaged state. As much as 40 per cent may be unfit for sale.

The varying quality of produce has proved a particular stumbling block

Development of agro-industry has been hampered by similar constraints as well as by laws forbidding private ownership of more than 50 acres of land. Exporters often cannot meet bulk orders and attempts to combine disparate smallholdings into co-operative suppliers have met with limited success. The varying quality of produce has proved a particular stumbling block.

Nonetheless, the government is keen to exploit the potential of non-traditional crops and there is a general desire, as one local landowner puts it, to "move from the bazaar trade to an industrial scale". He singles out the growth of the canned fruit and fruit juice industry but cautions: "They're not making a dent in the international market in terms of the Del Montes."

In the non-export sector, food crops are dominated by Sri Lanka's staple, paddy. Rice production has risen dramatically over the past 30 years thanks largely to a range of incentives offered under the Jayawardene government of 1977-88, and to the increasing availability of fertiliser.

Output rose from 600,000 tons in 1960 to a peak of 2.7m tons in 1985, a level just short of self-sufficiency. Since then paddy production has fallen away slightly, owing mainly to the impact of the separatist war in the north and east. Production last year was 2.4m tons.

The reduction of land under effective cultivation has been partly offset by the accelerated Mahaweli diversion programme, a large-scale project comprising dams, reservoirs, power stations and a network of irrigation channels. The scheme, now complete, will provide irrigation to more than 250,000 ha.

Overall, donor officials say the government should be doing more to give a clear lead in agricultural policy. They fear that dialogue between farmers and the central administration has broken down, particularly since the recent phasing out of extension workers.

There should, they say, be clearer direction given to farmers in the agro-export business. The process of putting smallholders in touch with appropriate markets needs to be greatly improved.

"Agriculture is not a sexy subject," says one donor official. "In their push to become the Singapore of South Asia, they may be in danger of forgetting where their roots are."

David Pilling